

State of Alaska

FY2002 Governor's Operating Budget

Department of Revenue

Contents

DEPARTMENT MISSION.....	4
DEPARTMENT GOALS AND STRATEGIES	4
KEY DEPARTMENT ISSUES FOR FY2001 – 2002.....	5
MAJOR DEPARTMENT ACCOMPLISHMENTS IN 2000	7
KEY PERFORMANCE MEASURES FOR FY2002	8
DEPARTMENT BUDGET SUMMARY BY BRU	10
FUNDING SOURCE SUMMARY	11
POSITION SUMMARY	11
FY2002 CAPITAL BUDGET REQUEST.....	12
OVERVIEW OF DEPARTMENTAL BUDGET CHANGES.....	13
SUMMARY OF DEPARTMENT BUDGET CHANGES BY BRU.....	15
BRU/COMPONENT: CHILD SUPPORT ENFORCEMENT	16
Key Performance Measures for FY2002.....	18
Component Financial Summary	21
Summary of Component Budget Changes	22
Personal Services Information.....	23
BRU/COMPONENT: ALCOHOL BEVERAGE CONTROL BOARD	24
Key Performance Measures for FY2002.....	25
Component Financial Summary	28
Summary of Component Budget Changes	29
Personal Services Information.....	30
BRU/COMPONENT: MUNICIPAL BOND BANK AUTHORITY.....	31
Key Performance Measures for FY2002.....	32
Component Financial Summary	33
Summary of Component Budget Changes	34
Personal Services Information.....	35
BRU/COMPONENT: PERMANENT FUND CORPORATION.....	36
Key Performance Measures for FY2002.....	37
Component Financial Summary	39
Summary of Component Budget Changes	40
Personal Services Information.....	41
BRU/COMPONENT: PFC CUSTODY AND MANAGEMENT FEES	42
Key Performance Measures for FY2002.....	43
Component Financial Summary	45
Summary of Component Budget Changes	46
ALASKA HOUSING FINANCE CORPORATION BUDGET REQUEST UNIT	47
KEY PERFORMANCE MEASURES FOR FY2002.....	50
BRU FINANCIAL SUMMARY BY COMPONENT.....	52
SUMMARY OF BRU BUDGET CHANGES BY COMPONENT.....	53
<i>Component: Alaska Housing Finance Corporation Operations</i>	<i>54</i>
Component Financial Summary	56
Summary of Component Budget Changes	57
Personal Services Information.....	58
<i>Component: Anchorage State Office Building.....</i>	<i>62</i>
Component Financial Summary	63
Summary of Component Budget Changes	64
BRU/COMPONENT: ALASKA MENTAL HEALTH TRUST AUTHORITY.....	65
Key Performance Measures for FY2002.....	66

Component Financial Summary	69
Summary of Component Budget Changes	70
Personal Services Information.....	71
REVENUE OPERATIONS BUDGET REQUEST UNIT	72
BRU FINANCIAL SUMMARY BY COMPONENT.....	75
SUMMARY OF BRU BUDGET CHANGES BY COMPONENT.....	76
<i>Component: Treasury Management</i>	<i>77</i>
Key Performance Measures for FY2002.....	79
Component Financial Summary	80
Summary of Component Budget Changes	82
Personal Services Information.....	83
<i>Component: Alaska State Pension Investment Board</i>	<i>84</i>
Key Performance Measures for FY2002.....	85
Component Financial Summary	87
Summary of Component Budget Changes	88
<i>Component: ASPIB Bank Custody and Management Fees</i>	<i>89</i>
Key Performance Measures for FY2002.....	89
Component Financial Summary	90
Summary of Component Budget Changes	91
<i>Component: Tax Division</i>	<i>92</i>
Key Performance Measures for FY2002.....	94
Component Financial Summary	95
Summary of Component Budget Changes	97
Personal Services Information.....	98
ADMINISTRATION AND SUPPORT BUDGET REQUEST UNIT	99
BRU FINANCIAL SUMMARY BY COMPONENT.....	101
SUMMARY OF BRU BUDGET CHANGES BY COMPONENT.....	102
<i>Component: Commissioner's Office.....</i>	<i>103</i>
Key Performance Measures for FY2002.....	105
Component Financial Summary	106
Summary of Component Budget Changes	107
Personal Services Information.....	108
<i>Component: Administrative Services</i>	<i>109</i>
Key Performance Measures for FY2002.....	111
Component Financial Summary	113
Summary of Component Budget Changes	114
Personal Services Information.....	115
<i>Component: REV State Facilities Rent.....</i>	<i>116</i>
Key Performance Measures for FY2002.....	116
Component Financial Summary	117
Summary of Component Budget Changes	118
<i>Component: Unallocated Reduction</i>	<i>119</i>
Component Financial Summary	120
Summary of Component Budget Changes	121
Personal Services Information.....	122
BRU/COMPONENT: PERMANENT FUND DIVIDEND.....	123
Key Performance Measures for FY2002.....	124
Component Financial Summary	126
Summary of Component Budget Changes	127
Personal Services Information.....	128

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Department Mission

The mission of the Department of Revenue is to collect and invest funds for public purposes.

The department provides administrative support for the following independent boards and corporations:

- Alaska Permanent Fund Corporation
- Alaska Housing Finance Corporation
- Alaska Mental Health Trust Authority
- Alaska Municipal Bond Bank Authority
- Alaska State Pension Investment Board
- Alcoholic Beverage Control Board

Department Goals and Strategies

COMMISSIONER'S OFFICE

- To help lead the state's efforts toward commercialization of North Slope natural gas.

Lower 48 market forces of growing demand for natural gas and subsequent higher prices have increased the possibility that construction could begin in a couple of years on a gasline to bring Alaska's enormous North Slope reserves to mid-America. The state needs to respond quickly and with complete information as North Slope oil and gas producers, pipeline operators, potential investors and others review different options for commercializing Alaska's natural gas reserves. The Department of Revenue will provide the lead in the state's review of those options, with the goal of protecting Alaska's interests and ensuring a fair return to the state treasury from the public resource.

CHILD SUPPORT DIVISION

- To further reduce case backlogs at the Child Support Enforcement Division and to improve communications with parents.

The Child Support Enforcement Division has devoted much of its effort in the past three years toward improving its operations, making great strides in providing better service as evidenced by faster turnaround times for disbursing child support payments and shorter wait times for phone calls. The Division is committed to providing timely service, and its major goal for FY 2002 is to further reduce case backlogs in all of its sections and to improve telephone, mail and email communications for the almost 100,000 parents who deserve good service from the division.

PERMANENT FUND DIVIDEND DIVISION

- To increase the efficiency of the dividend review process.

The Permanent Fund Dividend Division is always looking for ways to increase its efficiency in accepting and reviewing more than 610,000 applications a year. The Division in FY 2001-2002 will concentrate on reorganizing its review and appeals sections to streamline the process.

- To encourage use of the on-line application system.

The Division took a major step when it opened its on-line application system at the end of the filing period for the 2000 dividend and expects strong growth in 2001 and subsequent years as public acceptance of the new system grows.

Increased use of the on-line application process will reduce the division's operating costs by replacing paperwork with paperless electronic data.

TREASURY DIVISION

- To meet or exceed investment benchmarks.

The Treasury Division will continue to work toward meeting or exceeding the investment benchmarks for public employee retirement funds, the Constitutional Budget Reserve Fund, state general fund and other funds and trust accounts managed by the Department of Revenue. Strategies for FY2002 include adding a securities lending program and increasing in-house monitoring.

- To improve operations of the Unclaimed Property Section.

The Department of Revenue will transfer its Unclaimed Property Section from the Tax Division to the Treasury Division on Jan. 1, 2001. The Unclaimed Property Section will mesh well with the Treasury Division, where the accountants, cash managers and investment staff can assist unclaimed property staff in tracking and managing the several million dollars a year of cash, stocks, bonds and other assets turned over to the state by financial institutions. With an additional employee proposed for FY 2002, the Treasury Division will locate more rightful owners of the property and increase revenue to the state by working with financial institutions nationwide to ensure that Alaska receives its fair share of unclaimed property.

ALASKA MUNICIPAL BOND BANK AUTHORITY

- To help communities reduce the cost of borrowing.

Fiscal 2001 will be one of the Alaska Municipal Bond Bank Authority's busiest years, as measured by its lending activity. The Bond Bank will continue to inform communities of opportunities to reduce their cost of borrowing for local projects. The Bond Bank also will review its debt portfolio to determine if any outstanding municipal bond issues can be refinanced at a savings under current market conditions.

ALCOHOLIC BEVERAGE CONTROL BOARD

- To make it easier for licensees to apply and pay their fees.

A major goal of the Alcoholic Beverage Control Board for FY 2001-2002 is to utilize the Internet for accepting liquor license renewals, catering permits and license transfers, and to accept payments by credit card.

Key Department Issues for FY2001 – 2002

CHILD SUPPORT DIVISION

- The Child Support Division must achieve federal certification of modifications to its case accounting and payment distribution system to meet the latest round of federal welfare reform requirements. The Division expects to obtain federal certification in calendar 2001. Federal funding will cover about 90% of the cost of necessary improvements.

PERMANENT FUND DIVIDEND DIVISION

- The public experienced long delays and problems contacting the Division's information offices during the fall 2000 dividend distribution period. The division will look for solutions to its outdated telephone system, and will adjust staffing schedules to improve its response time in 2001. Promoting increased use by dividend applicants of the new on-line application system will help reduce calls to the Division.
- The Division in the fall of 2000 conducted its first-ever random audit of dividend applications to verify the information supplied by applicants and to ensure that adequate controls are in place to protect the integrity of the

program. The Division has decided to include an audit program as part of its ongoing operations by committing staff time to reviewing randomly selected applications. By combining its existing review and appeals staff for greater efficiency, the Division will be able to operate the audit program without any additional staff.

TAX DIVISION

- Having almost completed its implementation of paperless filing for oil and gas production taxes, the Tax Division is moving ahead with its pilot project to accept excise tax returns via electronic filing. The Alaska Salmon Price Report and motor fuel taxes have been selected as the first two programs for the FY 2001 pilot project. This is the start of the Division's switch to paperless filing for the largest taxpayers, while also offering electronic filing as an option for even the smallest taxpayer.
- The Tax Division faces a major challenge in FY 2001-2002 as Prudhoe Bay producers have contested the state's property tax assessment of oil and gas production facilities at North America's largest oil field. The Tax Division's primary goal in FY 2001-2002 is to effectively represent the state's interests in the property tax valuation.
- The Division continues to resolve old cases of disputed taxes, closing out several cases in FY 2000-2001. The Division will continue with this effort in FY 2002.
- The Division has been studying the problem of Alaskans evading the state tobacco tax by importing untaxed cigarettes into the state through mail-order and Internet sales. The division is investigating a legislative solution to the problem by requiring tax stamps on all packages of cigarettes sold in Alaska. At a small cost to the state - perhaps \$100,000 a year - the division believes Alaska could prevent the loss of more than \$1 million a year in cigarette taxes.

TREASURY DIVISION

- The Alaska State Pension Investment Board is well aware of public employee and retiree expectations created by the above-average returns on retirement funds from the unprecedented five-year bull market. The board and staff will have to closely monitor the performance of the state's money managers during a time of increasing volatility of financial markets and consolidations in the asset-management industry, while explaining market conditions to constituents.

ALASKA HOUSING FINANCE CORPORATION

- The Alaska Housing Finance Corporation is committed to offering consumers timely service and will continue working with financial institutions toward that goal. One way to do that is to further reduce the amount of documentation and streamline procedures for loan commitments, while working toward accepting loan files electronically.
- The promotion of energy-efficient housing is a key component of Alaska Housing's responsibilities, and a quality energy-rating program is essential to its success. To protect the program's integrity, the corporation will ensure that builders and energy raters receive adequate training.
- The shortage of safe and affordable housing for Alaska's growing senior citizen population is a major concern for the Alaska Housing Finance Corporation, which continues to work with developers, contractors and nonprofit agencies statewide to address the problem.

Major Department Accomplishments in 2000

CHILD SUPPORT DIVISION

- The Child Support Division in FY 2000 achieved full federal certification of its computerized case management system for meeting all of the requirements of the federal Family Support Act.
- The Division collected more than \$85 million in child support payments in FY 2000, another record year for the agency. That was a 5% increase over the \$81 million in collections in FY 1999.
- The Division set a goal for FY 2000-2001 of eliminating its longstanding backlog of cases waiting for adjustments in the accounting section. The Division started the project in October 1999 with 6,500 cases in its backlog, and had reduced that number to 2,800 as of October 2000.
- In a new cooperative program with law enforcement agencies, the Division in FY 2000 collected more than \$100,000 from property seized during the arrest of criminal suspects.

TAX DIVISION

- The Department of Revenue successfully merged its Oil and Gas Division and Income and Excise Tax Division into a combined Tax Division effective April 1, 2000. The merger resulted in small cost savings but greatly improved workflow, and allowed better allocation of professional staff as needed during the tax year.
- The Tax Division in FY 2000 started a major revision to its twice-yearly state revenue forecasts, designed to provide expanded information on the state's investment earnings and sources of income other than oil and gas revenues. The revised forecast books also provide a more detailed explanation of the state's fiscal situation, including the Constitutional Budget Reserve and investment strategies and risks.

PERMANENT FUND CORPORATION

- The Permanent Fund Corporation was successful in managing the fund's investments in FY 2000, producing more than \$2.2 billion in net income for the fund - which totaled \$28.1 billion as of June 30, 2000.
- The Permanent Fund achieved a real total rate of return (after inflation) of 6.99% in FY 2000, substantially above the corporation's 4% long-term target.

ALCOHOLIC BEVERAGE CONTROL BOARD

- The Alcoholic Beverage Control Board opened a Southeast field office in Juneau, establishing a presence in Southeast for the first time since the 1980s.

ALASKA MENTAL HEALTH TRUST AUTHORITY

- The Alaska Mental Health Trust Authority supported the creation of only the nation's third mental health court to divert mental health service beneficiaries from the criminal justice system to a more supportive and useful program.

ALASKA HOUSING FINANCE CORPORATION

- The Alaska Housing Finance Corporation received a 100% score on the U.S. Department of Housing and Urban Development's Public Housing Management Assessment Program in 2000. It was the fourth year in a row that Alaska Housing had achieved a 100% score. The program measures performance in several management areas, including vacancy rates and turnaround times to fill vacant units, rent collections, financial management and resident programs.

- Alaska Housing purchased 2,205 new tax-exempt, first-time homebuyer loans totaling \$229 million in FY 2000, a 21% increase over the previous year.
- Alaska Housing purchased 76 multifamily housing loans totaling \$54.5 million in FY 2000, a 57% increase over the previous year.

Key Performance Measures for FY2002

Measure: The Child Support Division will track the percentage of cases with support orders.

(Added by Legislature in FY2000 version.)

Current Status:

As of Oct. 31, 2000, there were support orders for almost 80% of the Division's cases, an increase from 75% of cases with orders as of Oct. 31, 1999.

Benchmark:

Per the FFY 99 (period ending 9/30/99) Federal Office of Child Support Enforcement Preliminary Data Report, the national rate for the measure was 60.35%.

Background and Strategies:

Continue to streamline and automate the establishment process.

Measure: The Permanent Fund Dividend Division will increase to 70% the number of Alaskans who select direct deposit for their check.

(Not yet addressed by Legislature.)

Current Status:

The public's use of direct deposit for their Permanent Fund Dividends has increased steadily over the years. In 2000, 67% of recipients used direct deposit.

Benchmark:

In 1998 59% of Permanent Fund Dividend recipients used direct deposit and in 1999 63% used direct deposit.

Background and Strategies:

The use of direct deposit helps reduce the division's operating costs, while at the same time getting the money to Alaskans faster.

Measure: The Tax Division will receive 100% of oil and gas production taxpayers' monthly reports on CD disks by Feb. 28, 2001.

(Not yet addressed by Legislature.)

Current Status:

The Tax Division expects all oil and gas production taxpayers to begin filing electronically by the Feb. 28, 2001 due date for the companies' January 2001 reports.

Benchmark:

At this time, the January 2001 reports haven't been received, so it is too soon to measure.

Background and Strategies:

To continue to improve services and efficiencies through the use of technology.

Measure: At least 10% of calendar 2001 taxpayers for one type of excise tax will participate in an electronic filing project.

(Not yet addressed by Legislature.)

Current Status:

The Tax Division has selected the Alaska Salmon Price Report and the Motor Fuel taxes as the first two programs to move onto the Internet.

Benchmark:

At this time, the 2001 taxpayer reports haven't been received, so it is too soon to measure.

Background and Strategies:

To continue to improve services and efficiencies through the use of technology.

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> The Child Support Division will track the percentage of its cases with support orders. The Permanent Fund Dividend Division will increase to 70% the number of Alaskans who select direct deposit for their check. The Tax Division will receive 100% of oil and gas production taxpayers' monthly reports on CD disks by Feb. 28, 2001. At least 10% of calendar 2001 taxpayers for one type of excise tax will participate in an electronic filing project. 		X			
		X			
			X		
		X			

Department Budget Summary by BRU

All dollars in thousands

	FY2000 Actuals				FY2001 Authorized				FY2002 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Child Support Enforcement	2,956.1	13,678.1	36.8	16,671.0	3,193.3	15,204.7	0.0	18,398.0	3,047.6	15,027.6	0.0	18,075.2
Alcohol Beverage Control Board	630.4	0.0	84.0	714.4	698.5	0.0	0.0	698.5	696.0	0.0	0.0	696.0
Municipal Bond Bank Authority	0.0	0.0	461.1	461.1	0.0	0.0	463.7	463.7	0.0	0.0	521.2	521.2
Permanent Fund Corporation	0.0	0.0	6,359.9	6,359.9	0.0	0.0	8,148.6	8,148.6	0.0	0.0	7,703.0	7,703.0
PFC Custody and Management Fees	0.0	0.0	37,094.9	37,094.9	0.0	0.0	47,585.8	47,585.8	0.0	0.0	47,585.8	47,585.8
Alaska Housing Finance Corp	0.0	17,657.6	18,321.6	35,979.2	0.0	18,866.1	18,130.8	36,996.9	0.0	20,218.6	19,296.3	39,514.9
Mental Health Trust Authority	0.0	0.0	787.8	787.8	0.0	0.0	940.2	940.2	0.0	0.0	961.3	961.3
Revenue Operations	7,456.8	0.0	32,127.7	39,584.5	7,750.7	0.0	34,777.5	42,528.2	7,691.6	0.0	39,277.5	46,969.1
Administration and Support	557.6	716.3	607.1	1,881.0	727.6	743.7	1,219.8	2,691.1	724.7	780.5	1,177.2	2,682.4
Permanent Fund Dividend	0.0	0.0	4,773.3	4,773.3	0.0	0.0	5,031.7	5,031.7	0.0	0.0	5,021.2	5,021.2
Totals	11,600.9	32,052.0	100,654.2	144,307.1	12,370.1	34,814.5	116,298.1	163,482.7	12,159.9	36,026.7	121,543.5	169,730.1

Funding Source Summary

All dollars in thousands

Funding Sources	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
1001 Constitutional Budget Reserve Fund		125.0	125.0
1002 Federal Receipts	28,506.8	31,216.1	32,407.2
1004 General Fund Receipts	7,379.3	7,646.8	7,561.4
1005 General Fund/Program Receipts	4,204.3	4,466.6	4,455.9
1007 Inter-Agency Receipts	3,859.1	3,033.9	3,013.8
1011 Alaska Advance College Tuition Payment Fund	19.2	28.5	28.5
1016 Federal Incentive Payments	2,500.0	2,553.0	2,537.9
1017 Benefits Systems Receipts	91.5	99.0	99.0
1027 International Airport Revenue Fund	31.1	31.3	31.6
1029 Public Employees Retirement Fund	19,692.3	21,096.7	23,936.7
1034 Teachers Retirement System Fund	10,180.3	10,955.6	12,505.6
1042 Judicial Retirement System	140.9	193.4	268.4
1045 National Guard Retirement System	24.1	64.4	99.4
1046 Student Revolving Loan Fund	22.2	22.2	22.5
1050 Permanent Fund Dividend Fund	4,733.1	4,979.7	4,989.2
1053 Investment Loss Trust Fund	17.3	131.7	17.6
1061 Capital Improvement Project Receipts	1,217.5	1,470.0	1,513.8
1066 Public School Fund	67.7	154.0	154.6
1089 Power Cost Equalization Fund		23.0	86.1
1094 Mental Health Trust Administration	787.8	940.2	961.3
1098 Children's Trust Fund Earnings	34.0	42.5	43.2
1103 Alaska Housing Finance Corporation Receipts	15,604.1	16,180.5	17,195.2
1104 Alaska Municipal Bond Bank Receipts	461.1	463.7	521.2
1105 Alaska Permanent Fund Corporation Receipts	43,688.2	55,972.2	55,525.9
1108 Statutory Designated Program Receipts		494.5	494.3
1133 Indirect Cost Reimbursement	1,045.2	1,045.4	1,081.6
1142 Retiree Health Ins Fund/Major Medical		19.7	19.9
1143 Retiree Health Ins Fund/Long-Term Care Fund		33.1	33.3
Totals	144,307.1	163,482.7	169,730.1

Position Summary

Funding Sources	FY2001 Authorized	FY2002 Governor
Permanent Full Time	800	810
Permanent Part Time	26	25
Non Permanent	55	57
Totals	881	892

FY2002 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Child Support Enforcement Caseload Management System Modification Project	1,020,000	1,980,000	0	3,000,000
Permanent Fund Dividend Appeals Process Streamlining	0	0	125,000	125,000
AHFC Supplemental Housing Development Program	0	0	6,000,000	6,000,000
AHFC Low Income Weatherization	0	1,400,000	4,000,000	5,400,000
AHFC Paxton Manor Replacement (Sitka)	0	0	2,401,000	2,401,000
AHFC Chugach View Renovation - Phase 2 (Anchorage Senior Units)	0	2,000,000	2,697,000	4,697,000
AHFC Senior Citizens Housing Development Program	0	0	1,472,200	1,472,200
AHFC Senior and Statewide Deferred Maintenance and Renovation	0	500,000	2,000,000	2,500,000
AHFC Housing and Urban Development Capital Fund Program	0	3,500,000	0	3,500,000
AHFC Housing and Urban Development Federal HOME Grant	0	3,050,000	750,000	3,800,000
AHFC Federal and Other Competitive Grants	0	3,000,000	1,250,000	4,250,000
AHFC Competitive Grants for Public Housing	0	750,000	250,000	1,000,000
AHFC Energy Efficiency Monitoring Research	0	0	300,000	300,000
AHFC State Energy Program Special Projects	0	150,000	30,000	180,000
AHFC Homeless Assistance Program	0	0	450,000	450,000
AHFC Beneficiary and Special Needs Housing	0	0	1,500,000	1,500,000
Department Total	1,020,000	16,330,000	23,225,200	40,575,200

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

Child Support Enforcement:

- Federal funding increment of \$277.8, of which \$188.1 is a pass-through to the Alaska State Court System for reimbursement of System Costs Title IV-D expenditures, to assist litigants involved in family proceedings. The remaining \$89.7 will be used to improve the automated child support phone system (KIDS System) used by clients to obtain case payment history and leave caseworker messages.
- Federal funding pass-through increment of \$59.3 to the Alaska State Court System for the Access and Visitation grant increase. (facilitate non-custodial parent access to their children).
- One-time-item decrease of FY 2000/2001 supplemental funding that had been provided to reduce case backlogs, GFPR (\$138.7) Fed. (\$446.1). Funding lapses 6/30/01.

Alaska Mental Health Trust Authority:

- Increment to fund two part-time temporary intern positions and increase in rural travel \$23.8, Mental Health Trust funding.

Treasury:

- Increment of \$63.7 for additional Accountant IV to keep pace with increasing fiduciary demands of handling more money, more funds, and more investment account options, \$16.4 GF and \$47.3 other funds.
- Increment for additional Accountant/Auditor in the Unclaimed Property Unit, \$65.0 GFPR. This position will help locate more rightful owners of unclaimed property and increase revenue to the State by working with financial institutions nationwide. In addition, it will be responsible for developing and administering the Unclaimed Property holder's compliance program.
- The Unclaimed Property Section will be transferred from the Tax Division to the Treasury Division on January 1, 2001. The composition of the Treasury Division, with its accountants, cash managers and investment staff, is more conducive to the function of the Unclaimed Property Section. Transfer in from Tax Division \$161.4, GF/PR.
- Increase to cover the investment management costs Treasury will incur in managing the Power Cost Equalization Endowment Fund (HB 446). The fiscal note that passed during the 2000 legislative session assumed a smaller endowment than what eventually passed in the final bill. PCE fund, \$62.5.
- HB 281, decrease of (\$50.0) in GF for a one-time-item related to Bonds: Public Schools, University, Harbors, & Buildings.

Alaska State Pension Investment Board (ASPID):

- Increment of \$4,500.0 in Retirement Funding to pay for increased custody and management fees. The request is market driven.

Permanent Fund Dividend Division:

- Funding source switch, IA receipts to PFD funding to replace loss of funding from the Division of Elections (HB 163) for printing the voter registration forms in the annual permanent fund dividend booklet, IA (\$20.0) PFD \$20.0.

Tax Division:

- HB 363, decrease of (\$23.5) GF for one-time-items related to the Alaska Salmon Reports. Contracting out for database development and initial equipment costs are being deleted.
- The Unclaimed Property Section will be transferred to the Treasury Division on January 1, 2001. This transfer is being reflected in the FY 2002 budget. GFPR (\$161.4).

- Reduction for one-time-item Property Tax Valuation supplemental. GF (\$150.0).

Alaska Housing Finance Corporation:

- Salary schedule restructuring to attract and retain quality employees, \$357.2. AHFC receipts \$192.5, Fed. \$135.5, CIP 29.2.
- Increase in Conventional Low Rent Program (maintenance/utilities AHFC properties). Fed. \$724.4.
- Increase to administer 370 new Section 8 vouchers, 3 PFT positions. Fed. \$300.0.
- Increase for compliance monitoring mandated by the IRS, 2 PFT positions in Internal Audit department for tax credit program audit. AHFC rec. \$129.0.
- Increase for fixed costs, building insurance, office rental costs and computer/software maintenance, \$370.1. AHFC receipts \$251.4, Fed. \$118.7.
- Increase of \$462.0 in AHFC receipts due to transferring the following three programs from AHFC's capital budget: Builder and Rater Education Program \$200.0, Rural Alaska Sanitation Task Force support \$87.0, and Association of Alaska Housing Authority support grant, \$175.0.

Permanent Fund Corporation:

- Decrement due to information technology consulting services being reduced, reduced cost of investment analytical services and software as well as ceasing use of Reuters for news and market data, PFD receipts (\$447.9).

Summary of Department Budget Changes by BRU

From FY2001 Authorized to FY2002 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	12,370.1	34,814.5	116,298.1	163,482.7
Adjustments which will continue current level of service:				
-Child Support Enforcement	-145.7	-514.2	0.0	-659.9
-Alcohol Beverage Control Board	-2.5	0.0	0.0	-2.5
-Municipal Bond Bank Authority	0.0	0.0	-0.5	-0.5
-Permanent Fund Corporation	0.0	0.0	2.3	2.3
-Alaska Housing Finance Corp	0.0	73.9	101.4	175.3
-Mental Health Trust Authority	0.0	0.0	-2.7	-2.7
-Revenue Operations	-140.8	0.0	-109.5	-250.3
-Administration and Support	-2.9	36.8	-42.6	-8.7
-Permanent Fund Dividend	0.0	0.0	-10.5	-10.5
Proposed budget decreases:				
-Permanent Fund Corporation	0.0	0.0	-447.9	-447.9
Proposed budget increases:				
-Child Support Enforcement	0.0	337.1	0.0	337.1
-Municipal Bond Bank Authority	0.0	0.0	58.0	58.0
-Alaska Housing Finance Corp	0.0	1,278.6	1,064.1	2,342.7
-Mental Health Trust Authority	0.0	0.0	23.8	23.8
-Revenue Operations	81.7	0.0	4,609.5	4,691.2
FY2002 Governor	12,159.9	36,026.7	121,543.5	169,730.1

BRU/Component: Child Support Enforcement

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Barbara Miklos, Director

Tel: (907) 269-6800 **Fax:** (907) 269-6868 **E-mail:** Barbara_Miklos@revenue.state.ak.us

Component Mission

To ensure that children receive the child support due them.

Component Services Provided

The Child Support Enforcement Division (CSED) collects and dispenses child support payments to families who have applied for services. The division also collects support on behalf of the State of Alaska for families who are on the Alaska Temporary Assistance Program, Medicaid or have children in State custody and for tribal organizations collecting and dispensing public assistance. Collecting and providing child support payments requires a complex system of services to establish paternity and child support orders and modify and enforce orders. CSED is enforcing approximately 37,000 child support orders.

Component Goals and Strategies

1. Increase the cost effectiveness ratio of CSED, which is the total operating budget of the division compared to the total amount of collections;
 - Increase information on the computer so automated enforcement actions will be taken.
 - Utilize automated financial data matches.
2. Increase the number of ongoing cases receiving child support checks on time;
 - Implement a new check disbursement system.
 - Increase the number of employers reporting new hires to CSED.
3. Reduce the number of cases with errors and cases appealed compared to the total number of cases;
 - Develop a comprehensive quality assurance program.
4. Reduce the number of cases where adjustments are overdue by 30 days or more;
 - Continue to reduce backlog numbers in the accounting section.
5. Increase the percentage of cases in which there are child support orders;
 - Continue to streamline and automate the establishment process.
6. Increase the number of cases with arrearages that have collections as compared to the total number of cases with arrearages;
 - Continue arrearage collection efforts through 3rd party contractors.
 - Publicize program to reduce arrears in default orders.
 - Maintain community outreach program.
7. Increase child support collections;
 - Utilize automated financial data information.

- Develop additional ways to find non-custodial parents.
- Increase communications with non-custodial parents and employers.

Key Component Issues for FY2001 – 2002

CSED is working to improve our services to Alaskans. In FY2001, CSED has been able to reduce the backlogs in all sections. Most important is the accounting section, which touches all cases being worked. The accounting section adjusts debts and payments owed. CSED added temporary workers to help in the accounting section through a supplemental appropriation from the legislature. Success has been evidenced by the dramatic reduction in complaints. The challenge continues.

CSED's computer system remains in the forefront for FY2001 and FY2002. Federal welfare reform legislation requires all child support agencies to change the way they distribute child support to families on public assistance or formerly on public assistance. The goal is to get more money to the families so they will be self-sufficient. This requires major changes to the computer system that will be finished in FY2001. Also, federal welfare reform legislation requires increased automation of child support processes. These too must be completed by FY2001. CSED staff and contractors continue to work on improving the system so that it will be easier for caseworkers to manage their large caseloads. This will be the primary focus in FY2002.

Major Component Accomplishments for FY2000

- The phone bank reduced average wait time for clients calling in from 36 minutes in November 1999 to 3.7 minutes in June 2000.
- All sections reduced case backlogs.
- CSED implemented and organized local outreach. Staff traveled to numerous Alaskan communities in FY2000. We also held community sessions in Anchorage, Palmer/Wasilla and Eagle River.
- Caseworkers responded to client phone calls in less than 5 days.
- Criminal actions were taken against twelve individuals and CSED participated in the first ever conviction for helping someone else avoid payment of child support.
- CSED's computer system was certified by the federal government.
- Various automated services were provided to the public including adding an on-line calculator to determine child support due.
- Since 2/1/2000, child support collections are being distributed to children within two days of receiving the payments.
- Electronic transfers of child support payments were initiated with 21 states that are sending incoming payments. Twenty-six states receive outgoing electronic payments; 3,800 custodial parents receive direct deposits and 120 employers are sending electronic payments.
- The production in the accounting section increased 30% over last year.
- CSED collected \$381.4 per employee in FY2000, up from \$356.2 in FY1997.
- CSED disbursed over \$16.3 million to states and the federal government as reimbursement for public assistance and foster care payments.

Statutory and Regulatory Authority

AS 25.25
AS 25.27
AAC 15.05
AAC 15.125

Federal Law 93-647
Federal Law 96-265
Federal Law 96-35

Key Performance Measures for FY2002

Measure: Increase the cost effectiveness ratio of CSED, which is the total operating budget of the division compared to the total amount of collections.
(Added by Legislature in FY2000 version.)

Current Status:

FY00 cost effectiveness was 5.15.

Benchmark:

Comparisons with other states are difficult since available data includes both operating and capital expenditures.

Background and Strategies:

- Increase information on the computer so automated enforcement actions will be taken.
- Utilize automated financial data matches.

Measure: Increase the percentage of ongoing cases receiving child support checks on time.
(Added by Legislature in FY2000 version.)

Current Status:

As of 6/30/00 the percentage of ongoing cases receiving child support checks on time is 47.3%.

Benchmark:

Data is not normally reported, making comparisons with other states and entities difficult.

Background and Strategies:

- Implement a new check disbursement system.
- Increase the number of employers reporting "new hires" to CSED.

Measure: Number of cases with errors and cases appealed compared to the total number of cases with orders.
(Added by Legislature in FY2000 version.)

Current Status:

The number of cases with errors and cases appealed compared to the total number of cases with orders (average per month from 1/1/00 - 6/30/2000) is 63 cases out of 37,000, or .17%.

Benchmark:

Data is not normally reported, making comparisons with other states and entities difficult.

Background and Strategies:

- Develop a comprehensive quality assurance program.

Measure: Number of cases where adjustments are overdue by 30 days or more.*(Added by Legislature in FY2000 version.)***Current Status:**

At 6/30/00, the number of cases where adjustments were overdue by 30 days or more was 3,150.

Benchmark:

Data type is not normally reported, making comparisons with other states and entities difficult.

Background and Strategies:

- Continue to reduce backlog numbers in the accounting section.

Measure: Percentage of cases with support orders.*(Added by Legislature in FY2000 version.)***Current Status:**

At 10/31/00, the number of cases with orders established was 79.4% of total caseload.

At 10/31/99, the number of cases with orders established was 75.0% of total caseload.

Benchmark:

Per the FFY 99 (period ending 9/30/99) Federal Office of Child Support Enforcement Preliminary Data Report, the national rate for the measure was 60.35%.

Background and Strategies:

- Continue to streamline and automate the establishment process.

Measure: Number of cases with arrearages that have collections as compared to the total number of cases with arrearages.*(Added by Legislature in FY2000 version.)***Current Status:**

At 9/30/00, the number of cases with arrears that have collections as compared to the total number of cases with arrearages was 64.8%.

Benchmark:

Per the FFY 99 (period ending 9/30/99) Federal Office of Child Support Enforcement Preliminary Data Report, the national rate for the measure was 54.37%.

Background and Strategies:

- Continue arrearage collection efforts through 3rd party contractors.
- Publicize program to reduce arrears in default orders.
- Maintain community outreach program.

Measure: Increase child support collections.*(Not yet addressed by Legislature.)***Current Status:**

Child Support collections for the year ending 6/30/00 were \$85,431,000.

Benchmark:

Because total collections vary with size of caseload, comparisons with other child support agencies are difficult. However, federal data reports show that Alaska compares favorably in annual collection increases and collections per case.

Background and Strategies:

- Utilize automated financial data information.

- Develop additional ways to find non-custodial parents.
- Increase communications with non-custodial parents and employers.

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> • The CSED FY2001 performance measures are consistent with those from the current fiscal year. The agency continues to measure itself through customer satisfaction and various productivity goals. • Increase the cost of effectiveness ratio of CSED, which is the total operating budget of the division compared to the total amount of collections. • Increase the number of ongoing cases receiving child support checks on time. • Reduce the number of cases with errors and cases appealed compared to the total number of cases. • Reduce the number of cases where adjustments are overdue by 30 days or more. • Increase the percentage of cases in which there are child support orders. • Increase the number of cases with arrearages that have collections as compared to the total number of cases with arrearages. 		X 			

Child Support Enforcement

Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	10,917.4	11,861.1	11,498.7
72000 Travel	77.3	80.0	80.0
73000 Contractual	5,166.7	6,105.3	6,179.9
74000 Supplies	167.9	173.1	166.1
75000 Equipment	341.7	178.5	150.5
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	16,671.0	18,398.0	18,075.2
Funding Sources:			
1002 Federal Receipts	10,849.2	12,350.0	12,188.6
1004 General Fund Receipts	118.6	118.6	118.6
1005 General Fund/Program Receipts	2,837.5	3,027.4	2,929.0
1007 Inter-Agency Receipts	36.8	0.0	0.0
1016 Federal Incentive Payments	2,500.0	2,553.0	2,537.9
1053 Investment Loss Trust Fund	0.0	47.3	0.0
1133 Indirect Cost Reimbursement	328.9	301.7	301.1
Funding Totals	16,671.0	18,398.0	18,075.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
<u>Unrestricted Revenues</u>						
Unrestricted Fund	68515	4,731.6	1,618.6	1,618.6	1,618.6	1,618.6
Unrestricted Total		4,731.6	1,618.6	1,618.6	1,618.6	1,618.6
<u>Restricted Revenues</u>						
Federal Receipts	51010	10,849.2	12,350.0	12,350.0	12,188.6	12,375.0
Interagency Receipts	51015	36.8	0.0	0.0	0.0	0.0
General Fund Program Receipts	51060	2,837.5	3,027.4	3,027.4	2,929.0	3,100.0
UA Indirect Cost Recovery	51115	328.9	301.7	301.7	301.1	300.0
Federal Incentive Payments	51378	2,500.0	2,553.0	2,553.0	2,537.9	2,600.0
Investment Loss Trust Fund	51393	0.0	47.3	47.3	0.0	0.0
Restricted Total		16,552.4	18,279.4	18,279.4	17,956.6	18,375.0
Total Estimated Revenues		21,284.0	19,898.0	19,898.0	19,575.2	19,993.6

Child Support Enforcement**Proposed Changes in Levels of Service for FY2002**

No service changes.

Summary of Component Budget Changes**From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	3,193.3	15,204.7	0.0	18,398.0
Adjustments which will continue current level of service:				
-Termination of Sec. 12 Ch 8 SLA00 2-year Appropriation	-138.7	-446.1	0.0	-584.8
-Year 2 Labor Costs - Net Change from FY2001	-7.0	-68.1	0.0	-75.1
Proposed budget increases:				
-AK Court System Pro Se Project	0.0	277.8	0.0	277.8
-Federal Access & Visitation Grant	0.0	59.3	0.0	59.3
FY2002 Governor	3,047.6	15,027.6	0.0	18,075.2

Child Support Enforcement

Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	233	234	Annual Salaries	8,943,585
Part-time	0	0	COLA	127,307
Nonpermanent	0	0	Premium Pay	23,073
			Annual Benefits	3,255,614
			<i>Less 6.89% Vacancy Factor</i>	(850,779)
			Lump Sum Premium Pay	0
Totals	233	234	Total Personal Services	11,498,800

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
[No valid job title]	5	0	0	0	5
Accountant III	1	0	0	0	1
Accounting Clerk I	5	0	0	0	5
Accounting Clerk II	2	0	0	0	2
Accounting Spvr I	3	0	0	0	3
Accounting Tech I	11	0	0	0	11
Accounting Tech II	13	0	0	0	13
Accounting Tech III	1	0	0	0	1
Admin Asst I	1	0	0	0	1
Administrative Clerk II	4	0	0	0	4
Administrative Clerk III	37	0	0	0	37
Administrative Manager I	2	0	0	0	2
Analyst/Programmer III	3	0	0	0	3
Analyst/Programmer IV	3	0	0	0	3
Analyst/Programmer V	1	0	0	0	1
Child Spt Enf Off I	84	4	2	2	92
Child Spt Enf Off II	20	1	1	0	22
Child Spt Enf Off III	8	0	1	0	9
Child Spt Enf Off IV	2	0	0	0	2
Data Processing Mgr II	1	0	0	0	1
Dep Dir Child Spt Enf	1	0	0	0	1
Division Director	1	0	0	0	1
Internal Auditor II	2	0	0	0	2
Investigator III	3	0	0	0	3
Investigator IV	1	0	0	0	1
Micro/Network Spec I	1	0	0	0	1
Micro/Network Tech I	1	0	0	0	1
Micro/Network Tech II	1	0	0	0	1
Personnel Asst I	1	0	0	0	1
Prog Coordinator	2	0	0	0	2
Supply Technician I	1	0	0	0	1
Totals	222	5	4	2	233

BRU/Component: Alcohol Beverage Control Board

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Doug Griffin, Executive Director

Tel: (907) 269-0350 **Fax:** (907) 272-9412 **E-mail:** Doug_Griffin@revenue.state.ak.us

Component Mission

To ensure compliance with the state's liquor laws.

Component Services Provided

ENFORCE ALCOHOLIC BEVERAGE LAWS.

- License those engaged in the legal manufacture and sale of alcoholic beverages.
- Conduct investigations and background reviews of liquor licensees.
- Accredit statutorily required alcohol server training.
- Provide information on alcoholic beverage laws and the liquor licensing process.

Component Goals and Strategies

1. REDUCE UNDERAGE ACCESS TO ALCOHOLIC BEVERAGES

- Partner with local police departments to share information and perform inspections so underage consumption can be intercepted and prosecuted.
- Disseminate information to local governments and community councils regarding ways to communicate concerns and activities regarding underage alcohol consumption.
- Perform "sting" operations in response to complaints where underage patrons are alleged to be buying alcohol.
- Oversee training of alcohol servers so underage patrons are denied access to alcohol.
- Partner with the Department of Public Safety to publicize consequences of underage purchase, use and possession of alcohol.
- Enforce laws through spot inspections of bars and cite bar owners and underage patrons for violations.
- Perform routine inspections to assure servers are trained and liquor licenses are current.
- Promote and increase safety when licensing premises by encouraging and considering citizen and local government comments regarding location, background and character of owners, and history of alcohol consumption in vicinity of proposed premises.
- Help dry communities develop strategies to curb bootlegging.
- Help damp communities develop strategies to prevent and control alcohol abuse.

2. REDUCE ALCOHOL RELATED ACCIDENTS AND DEATHS

- Partner with state troopers and local police departments to curb alcohol shipping to dry communities.
- Oversee training of bartenders to assure that drunken patrons are not served.
- Attend community council and other public meetings to publicize alcohol beverage laws and strategies to reduce alcohol abuse.

Key Component Issues for FY2001 – 2002

- Investigator staffing remains at levels below what was available prior to the construction of the Trans-Alaska Pipeline. Inadequate staffing increases the chances of underage drinking and alcohol related accidents and deaths.

- Funding for required formal hearings to address serious violations is inadequate. This places pressure on the ABC Board to settle actions against licensees to avoid the cost of the formal hearing. This pressure to settle may not always be in the public interest.

Major Component Accomplishments for FY2000

1. Resolved 100% of civil accusations by imposing ABC Board sanctions.
2. Conducted inspections in remote area of Alaska and conducted 244 premise inspections with limited travel and personnel resources.
3. Processed license applications within the 90-day statutory window 100% of the time.
4. Prepared Policy and Procedures Manual for ABC Enforcement operations.
5. For one full year beginning July 1, 1998 through June 30, 1999, the Alcoholic Beverage Control Board issued 50 Notices of Violation which produced the following compliance rates for beverage dispensary, restaurant, club, and package store licensees (total of 1,371 licenses of these types) of the following types of violations:

Serving underage (minors)	98.61% compliance - 19 violations
Serving drunken persons	99.71% compliance - 4 violations
Lack of server training	99.42% compliance - 8 violations

Percentage of servers trained in compliance for one year: 98.32% - 23 violations

Statutory and Regulatory Authority

AS 04
15 AAC 104

Key Performance Measures for FY2002

Measure: In FY2001, we project there will be 50 Notices of Violation (NOVs) for sale of alcoholic beverages to underage persons.

This translates to a compliance rate of 96.35%.
(Not yet addressed by Legislature.)

Background and Strategies:

The ABC Board is measuring its performance by tracking compliance of its liquor licensee's key behaviors that protect public safety and health. Statistics are kept on a calendar year basis, but for purposes of this comparison the data reflects the FY1999 year beginning July 1, 1998 through June 30, 1999.

By measuring the number of violations recorded for Alaska liquor law infractions, the data can give us a sense of how well liquor licensees are doing in complying with the law. The four key categories of violations being measured include sale of alcoholic beverages to underage persons, sale of alcoholic beverages to drunken persons, service of alcoholic beverages beyond legal hours of operation, and lack of approved training for alcoholic beverage servers. For more accurate comparison purposes only those types of licenses with violations of (beverage dispensary, package store, club, and restaurants) are divided into the violations.

The number of violations for these serious offenses is a direct function of the time and effort spent on field enforcement. The total number of violations measures this level of activity. During FY1999 and the current budget year, enforcement activity has been curtailed due to unanticipated legal constraints on investigator authority and safety. If these issues can be resolved in FY2000, the number of NOVs should increase, as investigators become more active. With sustained enforcement, NOVs should decline as compliance increases.

Measure: In FY2001, we project there will be 20 licensees issued NOVs for service to drunken persons.

The compliance rate is 98.54%.
(Not yet addressed by Legislature.)

Measure: In FY2001, there will be 24 licensees issued NOVs for operating beyond legal hours of operation.

The compliance rate is 98.25%.
(Not yet addressed by Legislature.)

Measure: In FY2001, there will be 12 licensees issued NOVs for failure to have staff legally trained.

The compliance rate is 99.12%.
(Not yet addressed by Legislature.)

Measure: The total number of NOVs for FY2001 will be 135.
(Not yet addressed by Legislature.)

Background and Strategies:

The increase in enforcement activity assumes that unanticipated legal delays in establishing clear and safe enforcement authority for ABC investigators will be resolved in the current year.

Measure: The cost of providing compliance services compared to the number of licenses per year.
(Developed jointly with Legislature in FY2000.)

Current Status:

FY2000 - Cost of Compliance Services=\$290,500.00 compared to 1,825 liquor licenses (Compliance costs or \$159 per license).

Measure: The cost of certifying or providing training services compared to the number of servers trained per year.
(Developed jointly with Legislature in FY2000.)

Current Status:

FY 2000-Cost of certifying or providing training services=\$700.00 compared to 6,569 servers trained (\$.11 per server trained).

Measure: The percentage of noncompliant licenses compared to the number of licenses held per year.
(Developed jointly with Legislature in FY2000.)

Current Status:

FY2000-5.5% noncompliant licenses compared to 1,825 licenses.

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> In FY2001, we project there will be 50 Notices of Violation (NOVs) for sale of alcoholic beverages to underage persons. This translates to a compliance rate of 96.35%. 			X		

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> In FY2001, we project there will be 20 licensees issued NOVs for service to drunken persons. The compliance rate is 98.54%. In FY2001, there will be 24 licensees issued NOVs for operating beyond legal hours of operation. The compliance rate is 98.25%. In FY2001, there will be 12 licensees issued NOVs for failure to have staff legally trained. The compliance rate is 99.12%. The total number of NOVs for FY2001 will be 135. 			X		
<ul style="list-style-type: none"> The cost of providing compliance services compared to the number of licenses per year. The cost of certifying or providing training services compared to the number of servers trained per year. The percentage of noncompliant licenses compared to the number of licenses held per year. 			X		

Alcohol Beverage Control Board

Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	543.4	571.9	577.6
72000 Travel	23.0	25.1	25.1
73000 Contractual	108.5	96.1	87.9
74000 Supplies	10.5	4.1	4.1
75000 Equipment	29.0	1.3	1.3
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	714.4	698.5	696.0
Funding Sources:			
1005 General Fund/Program Receipts	630.4	684.6	696.0
1007 Inter-Agency Receipts	84.0	0.0	0.0
1053 Investment Loss Trust Fund	0.0	13.9	0.0
Funding Totals	714.4	698.5	696.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
Unrestricted Fund	68515	1,285.0	1,761.5	1,761.5	1,761.5	1,761.5
Unrestricted Total		1,285.0	1,761.5	1,761.5	1,761.5	1,761.5
Restricted Revenues						
Interagency Receipts	51015	84.0	0.0	0.0	0.0	0.0
General Fund Program Receipts	51060	630.4	684.6	684.6	696.0	684.5
Investment Loss Trust Fund	51393	0.0	13.9	13.9	0.0	0.0
Restricted Total		714.4	698.5	698.5	696.0	684.5
Total Estimated Revenues		1,999.4	2,460.0	2,460.0	2,457.5	2,446.0

Alcohol Beverage Control Board**Proposed Changes in Levels of Service for FY2002**

No anticipated service changes

Summary of Component Budget Changes**From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	698.5	0.0	0.0	698.5
Adjustments which will continue current level of service:				
-Year 2 Labor Costs - Net Change from FY2001	-2.5	0.0	0.0	-2.5
FY2002 Governor	696.0	0.0	0.0	696.0

Alcohol Beverage Control Board**Personal Services Information**

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	9	9	Annual Salaries	444,660
Part-time	0	0	COLA	7,452
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	143,320
			<i>Less 2.99% Vacancy Factor</i>	(17,824)
			Lump Sum Premium Pay	0
Totals	9	9	Total Personal Services	577,608

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	1	0	0	0	1
Administrative Clerk III	2	0	0	0	2
Division Director	1	0	0	0	1
Investigator III	1	1	1	0	3
Investigator IV	1	0	0	0	1
Records & Licensing Spvr	1	0	0	0	1
Totals	7	1	1	0	9

BRU/Component: Municipal Bond Bank Authority

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Betty Martin, Comptroller

Tel: (907) 465-2352 **Fax:** (907) 465-2394 **E-mail:** Betty_Martin@revenue.state.ak.us

Component Mission

To provide municipalities with financing options for capital projects.

Component Services Provided

- Issue bonds to make loans to municipalities for capital projects at lower rates than the municipalities would incur elsewhere.
- Help municipalities gain experience in financial markets and establish a positive credit history.
- Monitor opportunities to issue bonds to refinance existing debt.

Component Goals and Strategies

1. INCREASE THE AWARENESS OF THE BOND BANK'S SERVICES
 - Plan communications effort targeted at current users, potential new users, and the legislature to keep them informed of Bond Bank services and revenue-generating potential.
 - Provide support and training to municipalities in their capital improvement financing programs.
2. REFINANCE EXISTING DEBT TO REDUCE MUNICIPALITIES' COSTS
 - Review the current debt portfolio and determine if any outstanding issues provide significant refinancing opportunities under current market conditions.
3. MAINTAIN BOND BANK'S CREDIT RATING

Key Component Issues for FY2001 – 2002

2001 will be one of the largest new lending years in the history of AMBBA. Although a reduction in the number of loans may occur in 2002, AMBBA will have to monitor whether it will approach its statutory limitation on debt. AMBBA will continue to seek to maintain the diversity of the borrowers in the pool, including attempts to attract the stronger credits in order to maintain its credit rating.

Major Component Accomplishments for FY2000

During FY2000 the Bond Bank completed four bond issuances for a total of \$24.8 million. The communities benefiting from these issuances include Fairbanks, Cordova, Kaktovik, Sitka, Unalaska and the communities of Prince of Wales Island.

Statutory and Regulatory Authority

AS 44.85.020

Key Performance Measures for FY2002

Measure: The number of capital projects financed or refinanced with bonds as compared to the total number of projects for which funding was requested.
(Developed jointly with Legislature in FY2000.)

Current Status:

The number of projects financed in FY2000 was 4 (\$24.8 million). Total-to-date for FY2001 is already 5 with 2 more currently being evaluated. The Bond Bank is evaluating the most reasonable method to determine the number of requests it receives, as many calls simply constitute information gathering on the part of the municipalities. There were 2 applications received in FY2000 that did not result in an issuance of Bond Bank bonds. However, both of these communities obtained alternate sources of capital (one, a grant, and the other, a subsidized loan).

Benchmark:

Perform year-to-year trend analysis.

Measure: The value of municipal bonds issued during the year.
(Developed jointly with Legislature in FY2000.)

Current Status:

FY2000 - \$24.8 million.

Measure: Pursue refinancing opportunities that generate at least a 3% NPV savings for advance refundings (those that occur prior to the bond call dates) or a net cash flow savings for current refundings.
(Not yet addressed by Legislature.)

Measure: Credit rating will be A or higher.
(Not yet addressed by Legislature.)

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
• The number of capital projects financed or refinanced with bonds as compared to the total number of projects for which funding was requested.			X		
• The value of municipal bonds issued during the year.			X		
• Pursue refinancing opportunities that generate at least a 3% NPV savings for adv. refundings (those that occur prior to the bond call dates) or a net cash flow savings for current refundings.			X		
• Credit rating will be A or higher.			X		

Municipal Bond Bank Authority

Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	64.1	65.4	64.9
72000 Travel	13.9	10.1	10.1
73000 Contractual	383.1	384.4	442.4
74000 Supplies	0.0	3.8	3.8
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	461.1	463.7	521.2
Funding Sources:			
1104 Alaska Municipal Bond Bank Receipts	461.1	463.7	521.2
Funding Totals	461.1	463.7	521.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Municipal Bond Bank Receipts	51417	461.1	463.7	463.7	521.2	521.2
Restricted Total		461.1	463.7	463.7	521.2	521.2
Total Estimated Revenues		461.1	463.7	463.7	521.2	521.2

Municipal Bond Bank Authority**Proposed Changes in Levels of Service for FY2002**

No anticipated change in services provided

Summary of Component Budget Changes**From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	0.0	463.7	463.7
Adjustments which will continue current level of service:				
-Year 2 Labor Costs - Net Change from FY2001	0.0	0.0	-0.5	-0.5
Proposed budget increases:				
-Increased costs for additional bond offerings	0.0	0.0	58.0	58.0
FY2002 Governor	0.0	0.0	521.2	521.2

Municipal Bond Bank Authority**Personal Services Information**

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	1	1	Annual Salaries	48,180
Part-time	0	0	COLA	586
Nonpermanent	0	0	Premium Pay	1,482
			Annual Benefits	15,998
			<i>Less 2.03% Vacancy Factor</i>	(1,346)
			Lump Sum Premium Pay	0
Totals	1	1	Total Personal Services	64,900

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Manager III	0	0	1	0	1
Totals	0	0	1	0	1

BRU/Component: Permanent Fund Corporation

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Robert D. Storer, Executive Director

Tel: (907) 465-2047 **Fax:** (907) 586-2057 **E-mail:** rstorer@alaskapermfund.com

Component Mission

To maximize the value of the permanent fund through prudent long-term investment.

Component Services Provided

Investment of financial assets in equities, fixed income, real estate, and alternative investments. Produce earnings sufficient to meet dual legislative mandate: inflation proofing and dividends. Provide accurate investment management and accounting of all Permanent Fund assets, including Science and Technology, Mental Health Trust and International Trade & Business Endowment Fund assets. Distribute quarterly and annual financial reports, informational brochures; and increase public awareness and understanding of Permanent Fund goals and objectives.

Component Goals and Strategies

1. Maximize the funds total return over time in a manner consistent with the long-term objective and risk tolerance.
2. Develop and implement a Board-approved plan to take advantage of the new investment flexibility building upon the framework of the existing investment program.
3. Continue to promote legislative adoption of a payout rule based on a percentage of market value (POMV) distribution of Fund income.
4. Consolidate and keep current all corporate IT resources, systems and capabilities; and maximize their usefulness to APFC staff.
5. Ensure strong monitoring and internal control systems are in place.

Key Component Issues for FY2001 – 2002

Plan for and manage investment risk during times of increasing market volatility, while taking advantage of opportunities to increase returns (including the increased statutory flexibility).

Ensure investment policies maintain the delicate balance between the Fund's competing mandates of protecting the principal to benefit future generations and producing income to benefit current generations.

Provide Alaskans with timely and accurate information on the Fund, in support of discussions on the Fund's role in Alaska's fiscal and economic future.

Major Component Accomplishments for FY2000

- The Permanent Fund produced over \$2.2 billion in net income resulting in a Fund valued at \$28.1 billion at fiscal year end.
- The Permanent Fund achieved a real (after inflation) total rate of return of 6.99%, substantially above the 4% long-term target.
- Completed a major transition in senior management. The Executive Director and three other top managers retired or resigned and were replaced with experienced personnel.

- Increased global equity investment allocation from 48 - 53%. Increased investments in U.S. stocks and real estate and in non-U.S. stocks and fixed income.

Statutory and Regulatory Authority

AS 37.13

Key Performance Measures for FY2002

Measure: Provide Percentage of Market Value (POMV) analysis in legislative, Board and other public venues, using the consultant's model (MOMA) and other tools as appropriate.

(Not yet addressed by Legislature.)

Measure: Upgrade operating systems/software to the current versions and upgrade 1/3 of workstations to current technology: upgrade firewalls and virus scanners to keep current in Internet security/reliability.

(Not yet addressed by Legislature.)

Measure: Develop enhanced compliance reports for the three main asset classes and the total fund.

(Not yet addressed by Legislature.)

Measure: The corporation's investment expenses compared to the investment expenses of other large institutional funds.

(Developed jointly with Legislature in FY2000.)

Measure: The total return by asset type compared to other institutional funds.

(Developed jointly with Legislature in FY2000.)

Measure: The inflation-adjusted rate of return over time.

(Developed jointly with Legislature in FY2000.)

Current Status:

The board has quantified this goal to achieve a real rate of return of 4% over time.

Measure: Complete a HB 156 implementation plan and a trustee educational program on alternative investments.

(Not yet addressed by Legislature.)

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> Provide Percentage of Market Value (POMV) analysis in legislative, Board and other public venues, using the consultant's model (MOMA) and other tools as appropriate. Upgrade operating systems/software to the current versions and upgrade 1/3 of network, server, workstation, and videoconference equipment. 		X			
		X			

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> • The corporation's investment expenses compared to the investment expenses of other large institutional funds. • The total return by asset type compared to other institutional funds. • The inflation-adjusted rate of return over time (the board has quantified this goal to achieve a real rate of return of 4% over time). • Complete a HB 156 implementation plan and a trustee educational program on alternative investments. 			X X X X 		

Permanent Fund Corporation
Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,697.1	2,870.7	2,903.1
72000 Travel	240.9	342.9	361.6
73000 Contractual	3,176.0	4,650.0	4,143.4
74000 Supplies	34.6	49.3	49.3
75000 Equipment	211.3	235.7	245.6
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	6,359.9	8,148.6	7,703.0
Funding Sources:			
1105 Alaska Permanent Fund Corporation Receipts	6,359.9	8,148.6	7,703.0
Funding Totals	6,359.9	8,148.6	7,703.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
State Corporate Receipts	51320	6,359.9	8,148.6	8,148.6	7,703.0	7,703.0
Restricted Total		6,359.9	8,148.6	8,148.6	7,703.0	7,703.0
Total Estimated Revenues		6,359.9	8,148.6	8,148.6	7,703.0	7,703.0

Permanent Fund Corporation

Proposed Changes in Levels of Service for FY2002

No anticipated service changes

Summary of Component Budget Changes

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	0.0	8,148.6	8,148.6
Adjustments which will continue current level of service:				
-Year 2 Labor Costs - Net Change from FY2001	0.0	0.0	2.3	2.3
Proposed budget decreases:				
-Alaska Permanent Fund Corporation - Corporate Operations Decrement	0.0	0.0	-447.9	-447.9
FY2002 Governor	0.0	0.0	7,703.0	7,703.0

Permanent Fund Corporation

Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	32	32	Annual Salaries	2,309,233
Part-time	0	0	COLA	53,047
Nonpermanent	3	3	Premium Pay	0
			Annual Benefits	622,139
			<i>Less 2.72% Vacancy Factor</i>	(81,319)
			Lump Sum Premium Pay	0
Totals	35	35	Total Personal Services	2,903,100

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant	0	0	4	0	4
Administrative Assistant	0	0	2	0	2
Administrative Clerk I	0	0	1	0	1
Administrative Officer	0	0	1	0	1
Administrative Specialist	0	0	2	0	2
Chief Financial Officer	0	0	1	0	1
Chief Investment Officer	0	0	1	0	1
Computer Info. Systems Spec.	0	0	3	0	3
Controller	0	0	1	0	1
Director Of Administration-PFC	0	0	1	0	1
Director Of Communications-PFC	0	0	1	0	1
Executive Director, PFC	0	0	1	0	1
Executive Secretary	0	0	1	0	1
Executive Secretary I	0	0	2	0	2
Information Systems Manager	0	0	1	0	1
Intern	0	0	2	0	2
Investment Associate	0	0	2	0	2
Investment Officer	0	0	6	0	6
Investment Officer Real Estate	0	0	1	0	1
Secretary	0	0	1	0	1
Totals	0	0	35	0	35

BRU/Component: PFC Custody and Management Fees

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Robert D. Storer, Executive Director

Tel: (907) 465-3185 **Fax:** (907) 586-2057 **E-mail:** rstorer@alaskapermfund.com

Component Mission

To maximize the value of the permanent fund through prudent long-term investment.

Component Services Provided

Investment of financial assets in equities, fixed income, real estate, and alternative investments. Produce earnings sufficient to meet dual legislative mandate: inflation proofing and dividends. Provide accurate investment management and accounting of all Permanent Fund assets, including Science and Technology, Mental Health Trust and International Trade & Business Endowment Fund assets. Distribute quarterly and annual financial reports, informational brochures; and increase public awareness and understanding of Permanent Fund goals and objectives.

Component Goals and Strategies

1. Maximize the fund's total return over time in a manner consistent with the long-term objective and risk tolerance.
2. Develop and implement a Board-approved plan to take advantage of the new investment flexibility building upon the framework of the existing investment program.
3. Continue to promote legislative adoption of a payout rule based on a percentage of market value (POMV) distribution of Fund income.
4. Consolidate and keep current all corporate IT resources, systems and capabilities; and maximize their usefulness to APFC staff.
5. Ensure strong monitoring and internal control systems are in place.

Key Component Issues for FY2001 – 2002

Plan for and manage investment risk during times of increasing market volatility, while taking advantage of opportunities to increase returns (including the increased statutory flexibility).

Ensure investment policies maintain the delicate balance between the Fund's competing mandates of protecting the principal to benefit future generations and producing income to benefit current generations.

Provide Alaskans with timely and accurate information on the Fund, in support of discussions on the Fund's role in Alaska's fiscal and economic future.

Major Component Accomplishments for FY2000

- The Permanent Fund produced over \$2.2 billion in net income resulting in a Fund valued at \$28.1 billion at fiscal year end.
- The Permanent Fund achieved a real (after inflation) total rate of return of 6.99%, substantially above the 4% long-term target.
- Completed a major transition in senior management. The Executive Director and three other top managers retired or resigned and were replaced with experienced personnel.

- Increased global equity investment allocation from 48% - 53%. Increased investments in U.S. stocks and real estate and in non-U.S. stocks and fixed income.

Statutory and Regulatory Authority

AS 37.13

Key Performance Measures for FY2002

Measure: Provide Percentage of Market Value (POMV) analysis in legislative, Board and other public venues, using the consultant's model (MOMA) and other tools as appropriate.

(Not yet addressed by Legislature.)

Measure: Upgrade operating systems/software to the current versions and upgrade 1/3 of workstations to current technology: upgrade firewalls and virus scanners to keep current in Internet security/reliability.

(Not yet addressed by Legislature.)

Measure: Develop enhanced compliance reports for the three main asset classes and the total fund.

(Not yet addressed by Legislature.)

Measure: The corporation's investment expenses compared to the investment expenses of other large institutional funds.

(Developed jointly with Legislature in FY2000.)

Measure: The total return by asset type compared to other institutional funds.

(Developed jointly with Legislature in FY2000.)

Measure: The inflation-adjusted rate of return over time.

(Developed jointly with Legislature in FY2000.)

Current Status:

The board has quantified this goal to achieve a real rate of 4% over time.

Measure: Complete a HB 156 implementation plan and a trustee educational program on alternative investments.

(Not yet addressed by Legislature.)

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> Provide Percentage of Market Value (POMV) analysis in legislative, Board and other public venues, using the consultant's model (MOMA) and other tools as appropriate. Upgrade operating systems/software to the current versions and upgrade 1/3 of network, server, workstation, and videoconference equipment. 		X			
		X			

Component — PFC Custody and Management Fees

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> • The corporation's investment expenses compared to the investment expenses of other large institutional funds. • The total return by asset type compared to other institutional funds. • The inflation-adjusted rate of return over time (the board has quantified this goal to achieve a real rate of return of 4% over time). • Complete a HB 156 implementation plan and a trustee educational program on alternative investments. 			X X		

PFC Custody and Management Fees**Component Financial Summary***All dollars in thousands*

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	37,094.9	47,585.8	47,585.8
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	37,094.9	47,585.8	47,585.8
Funding Sources:			
1105 Alaska Permanent Fund Corporation Receipts	37,094.9	47,585.8	47,585.8
Funding Totals	37,094.9	47,585.8	47,585.8

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
State Corporate Receipts	51320	37,094.9	47,585.8	47,585.8	47,585.8	52,300.0
Restricted Total		37,094.9	47,585.8	47,585.8	47,585.8	52,300.0
Total Estimated Revenues		37,094.9	47,585.8	47,585.8	47,585.8	52,300.0

PFC Custody and Management Fees

Proposed Changes in Levels of Service for FY2002

No anticipated service change

Summary of Component Budget Changes

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	0.0	47,585.8	47,585.8
FY2002 Governor	0.0	0.0	47,585.8	47,585.8

Alaska Housing Finance Corporation Budget Request Unit

Contact: Les Campbell, Budget Director

Tel: (907) 330-8356 **Fax:** (907) 330-8361 **E-mail:** lcampbel@ahfc.state.ak.us

BRU Mission

To provide access to housing and the Alaska dividend.

BRU Services Provided

Provide, purchase, and/or participate in Mortgage Loan programs statewide:

- Conventional loan programs;
- First-time Home Buyer program;
- Veteran loan programs;
- Multi-family Housing programs;
- Rural loan programs.

Manage, operate, and maintain Public Housing and Rental Assistance programs;

Administer the State's Senior Housing programs;

Administer the State's Weatherization programs;

Administer the State Energy Program (SEP);

Coordinate Alaska's Housing Strategy and Homeless programs;

Administer State and Federal housing grants;

Develop and modernize public housing;

Administer Low-Income Tax Credits;

Provide workshops and training (i.e. Home Choice, Grant writing, Energy, etc.);

Provide access to low cost capital.

BRU Goals and Strategies

PROVIDE PROGRAMS AND SERVICES THAT ARE RESPONSIVE TO THE DIVERSE HOUSING NEEDS STATEWIDE:

- Increase housing and finance options for rural areas;
- Define AHFC's role in meeting infrastructure needs;
- Review and update existing regulations;
- Review statutes and identify any needed changes;
- Increase leveraging of housing-related grants and other resources from various federal sources;
- Expand and promote family self-sufficiency.

INCREASE HOME OWNERSHIP:

- Identify needs (existing gaps) and educate public;
- Match needs to AHFC home ownership programs;
- Streamline loan application process;
- Identify supporting infrastructure needs in coordination with other housing professionals (inspectors, energy raters, etc.).

INCREASE SPECIAL NEEDS HOUSING:

- Work cooperatively with consumers, advocates and special needs service providers to identify and address needs;
- Work with Alaska Mental Health Trust Authority in addressing the housing need of Trust beneficiaries;
- Establish process and financing mechanisms to help address "reasonable accommodation" for persons with disabilities.

EXPAND PARTNERSHIPS TO STRENGTHEN PROGRAM AND SERVICE DELIVERY:

- Strengthen relationships with regional housing authorities and other housing delivery organizations;

Plan and organize statewide housing conference;
Network with other agencies and non-profits for assistance.

STRENGTHEN COMMITMENTS TO AHFC HOUSING PROGRAMS, FUNCTIONS, AND BENEFITS:

Strengthen cooperative relationships with governmental constituencies;
Strengthen cooperative relationships with public constituencies;
Develop and implement a public relations plan;
Promote jobs and employment in housing-related fields.

PROMOTE OPERATIONAL EXCELLENCE:

Strengthen staff knowledge and skills in addressing customer's special needs (environmental, cultural, economic, etc.);
Identify and implement new or improved work processes that benefit operations;
Utilize a mix of internal and external audit and feedback methodologies to measure and evaluate AHFC performance;
Develop and implement affirmative action plan;
Develop strategy to enhance customer service;
Identify survey mechanism most suitable for corporation purposes;
Modernize and rehabilitate corporate-owned and -operated public housing in accordance with the 10-Year Plan.

MANAGE ASSETS TO GENERATE SUFFICIENT PROFIT TO MEET AHFC'S FINANCIAL COMMITMENTS:

Incorporate capital/grants budget levels into 6-year Plan;
Develop strategy to meet existing commitment for transfers to and financing for the benefit of the State;
Implement capital project bonding for the State;
Carry out AHFC's capital budget;
Prioritize AHFC financial and program obligations and commitments;
Formalize the process by which available and projected "arbitrage" is identified and allocated to specific programs.

Key BRU Issues for FY2001 – 2002

It remains essential for AHFC to maintain an equitable balance between AHFC's ability to meet its mission of ensuring quality and affordable housing opportunities for Alaskans, and to maintain levels of net income sufficient to meet our financial obligations to the State of Alaska. AHFC is recognized as one of the leading housing authorities in the nation for its strong management, innovative programs, excellent bond ratings, and financial strength. AHFC must be allowed to operate in a manner that both responds to the state's fiscal needs while meeting the requirements of the Corporation's mission. AHFC has played an active role in assisting the State with its deferred maintenance, capital construction, and other financing needs. To date, this has been done in a manner that preserves the physical assets and investment portfolio of the Corporation in order to ensure our ability to continue to attract investors through the issuance of debt.

Due to changes in federal housing programs, AHFC is able to take advantage of new program funding that becomes available. AHFC will add 370 Section 8 Home Choice Vouchers and increase Low Rent Subsidies from 92.5% to 98.5%, adding about one million dollars. Housing Operations cannot absorb the increase in expenses at the current budget levels. Increments using available federal funds have been requested to cover these expenses.

Senior housing remains a concern to the Corporation. Housing needs for senior Alaskans continue to grow larger as the senior population increases faster than affordable housing can be provided. Developers, contractors, and nonprofit agencies continue to work with the Corporation to leverage funds and bring affordable housing and services to Alaska's senior citizens. However, project development startup costs are high and providers are hesitant to go through the long expensive process only to see their efforts dashed at the tail end of proposals.

AHFC is having difficulty attracting and retaining quality employees with its current salary schedule. Over the past year, the employee turnover rate was 14.7%. Over the previous 12 months, the rate was 10%. Historically, the turnover rate has fluctuated annually between 7% and 8%. Turnover has occurred with critical positions in Construction, Information Systems, Accounting, and Housing Management. Additionally, key personnel had to be

replaced in Mortgage, Finance, Personnel, and Internal Audit. Other key personnel have also announced intentions to leave Rural Development, Procurement, and Construction. Recruiting efforts for Information Systems and Accounting have not attracted the number or quality of applicants necessary to adequately fill the positions. Employees leaving the Corporation and recruits who have turned down positions have consistently referenced the opportunity for career advancement and higher wages and benefits. AHFC has restructured its salary schedule to attract and retain quality employees.

A key component of AHFC's Strategic Plan is to "plan and organize a statewide housing conference" to "expand partnerships to strengthen program and service delivery." AHFC feels it is important to strengthen relationships with regional housing authorities and other housing delivery organizations. A statewide housing conference will give AHFC an opportunity to network with other agencies and nonprofits to develop partnerships to enhance AHFC's housing programs and delivery systems.

Several important programs, formerly found in the Capital Budget, have been moved into the Operating Budget. These programs are considered on going and are important to the Corporation. To facilitate AHFC's energy loan programs, it is extremely important that builders and raters, especially those who certify compliance, are trained and certified by the Corporation as receiving the qualified training. AHFC feels it is important to provide a measure of support to the Association of Alaska Housing Authorities (AAHA) to coordinate activities and training to all Regional Housing Authorities. The Corporation also supports the Rural Alaska Sanitation Task Force to insure that rural community members are active participants on the Governor's Sanitation Task Force. Other important projects include the Rural Housing Needs Assessment Study and the analysis of the current census data related to housing.

Major BRU Accomplishments for FY2000

Received a STRONG ranking with STABLE outlook from Standard & Poor's Public Housing Authority Evaluation.

Developed, published, and distributed agency-wide second annual Missions and Measures for results-oriented budgeting for the Corporation.

Maintained and continued to expand our website to include more information and notices (programs, grants, jobs, workshops/classes, etc.), applications (grants, jobs, etc.), and financials (balance sheets, bonds, etc.). The website received the highest possible rating (4*) from MuniNet Guide & Review, an independent research company intended to help government users stay abreast of new and/or improving Internet sites.

Reduced documentation required and streamlined procedures for loan commitments and purchases and worked toward implementing electronic submission of loan files.

Provided \$561 million for 4,295 Alaskans to purchase homes (does not include Streamlined Refinance loans).

Maintained a delinquency rate of less than 4%.

Purchased 2,205 new Tax-Exempt First Time Home Buyer loans totaling \$229.3 million, an increase of 21%.

Implemented the Taxable First-Time Home Buyer Program and purchased 285, totaling \$42.4 million.

Provided lower mortgage rates to 1,530 low-income borrowers under the Interest-Rate Reduction for Low-Income Borrowers Program, a 24% increase.

Increased mortgage loan activity by 20% in the urban loan programs.

Purchased 76 Multi-Family Loans totaling \$54.5 million, an increase of 57%.

Completed planning and development of the Annual Action Plan for the Housing & Community Development Plan (HCD) and the Annual Performance Report (APR), bringing \$7 million HUD funds to Alaska.

Additional accomplishments listed in the Appendix of FY2002 Missions & Measures.

Key Performance Measures for FY2002

Measure: The administrative costs per dollar of investment.

(Developed jointly with Legislature in FY2000.)

Current Status:

FY00: 5.82% (Operating Expenses/Mortgage Purchases)
FY99: 5.21% (Operating Expenses/Mortgage Purchases)
FY98: 7.65% (Operating Expenses/Mortgage Purchases)

Measure: The net income of the corporation.

(Developed jointly with Legislature in FY2000.)

Current Status:

FY2000 Net Income: \$81,802,000
FY1999 Net Income: \$79,850,000
FY1998 Net Income: \$95,916,000

Measure: The percentage of AHFC-owned housing compared to privately owned housing in the marketplace.

(Developed jointly with Legislature in FY2000.)

Current Status:

FY00 Market Share: 43%
FY99 Market Share: 33%
FY98 Market Share: 30%

Measure: The public housing management assessment score.

(Developed jointly with Legislature in FY2000.)

Current Status:

FY2000 PHAS Score: Waiting Federal Action.
FY1999 PHMAP Score: 100% (fourth year in a row).
FY1998 PHMAP Score: 100% (third year in a row).
FY1997 PHMAP Score: 100% (second year in a row).
FY1996 PHMAP Score: 100%

Measure: Increase the loan portfolio.

(Not yet addressed by Legislature.)

Current Status:

Loan portfolio @6/30/00: 28,325 loans / \$2,714,816,145
Loan portfolio @6/30/99: 26,776 loans / \$2,367,754,000
Loan portfolio @6/30/98: 26,159 loans / \$2,119,516,000

Measure: Increase the number of loan applications.

(Not yet addressed by Legislature.)

Current Status:

FY2000 Loan applications:
Urban: 3,940 loans / \$600,240,636
Rural: 609 loans / \$92,034,078

FY1999 Loan applications:
Urban: 3,954 loans / \$526,391,308

Rural: 825 loans / \$128,060,289

FY1998 Loan applications:

Urban: 4,045 loans / \$465,561,468

Rural: 825 loans / \$117,697,768

Measure: Increase mortgage loan purchases.

(Not yet addressed by Legislature.)

Current Status:

FY2000 Mortgage loan purchases: 4,421 / \$618,626,813

FY1999 Mortgage loan purchases: 5,187 / \$639,980,000

FY1998 Mortgage loan purchases: 3,503 / \$431,440,000

Benchmark:

FY2002 construction schedule.

Measure: Maintain or increase the rating of the Section 8 Management Assessment Program (SEMAP) score.

(Not yet addressed by Legislature.)

Benchmark:

Not yet established.

Measure: Maintain timely completion of construction projects.

(Not yet addressed by Legislature.)

Current Status:

FY2002 construction schedule.

Benchmark:

FY2002 construction schedule.

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> The administrative costs per dollar of investment. The net income of the corporation. The percentage of AHFC-owned housing compared to privately owned housing in the marketplace. The public housing management assessment score. Increase the loan portfolio. Increase the number of loan applications. Increase mortgage loan purchases. Maintain or increase the rating of the Section 8 Management Assessment Program (SEMAP) score. Maintain timely completion of construction projects. 		X X X X X X	 X X X		

Alaska Housing Finance Corporation
BRU Financial Summary by Component

All dollars in thousands

	FY2000 Actuals				FY2001 Authorized				FY2002 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Operations	0.0	17,657.6	16,336.9	33,994.5	0.0	18,866.1	16,146.1	35,012.2	0.0	20,218.6	17,311.6	37,530.2
Anc. State Office Building	0.0	0.0	1,984.7	1,984.7	0.0	0.0	1,984.7	1,984.7	0.0	0.0	1,984.7	1,984.7
Totals	0.0	17,657.6	18,321.6	35,979.2	0.0	18,866.1	18,130.8	36,996.9	0.0	20,218.6	19,296.3	39,514.9

Alaska Housing Finance Corporation

Proposed Changes in Levels of Service for FY2002

- A. Add Corporate funds for programs transferring from the Capital Budget to Operating Budget:
 Alaska Association of Housing Authorities (AAHA) Support
 Rural Alaskan Sanitation Task Force Support
 Builder & Rater Education
- B. Add Corporate, Federal, and CIP funds to restructure the Salary Schedule.
- C. Add three PCNs & Federal funds to administer 370 new Section 8 Vouchers.
- D. Add additional Federal funds to administer the Conventional Low Rent Program.
- E. Add two PCNs for Compliance Auditors to monitor projects in the HOME and Tax Credit programs.
- F. Add Corporate and Federal funds for increases in fixed costs.
- G. Miscellaneous Line Item Transfers.

Alaska Housing Finance Corporation

Summary of BRU Budget Changes by Component

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	18,866.1	18,130.8	36,996.9
Adjustments which will continue current level of service:				
-Operations	0.0	73.9	101.4	175.3
Proposed budget increases:				
-Operations	0.0	1,278.6	1,064.1	2,342.7
FY2002 Governor	0.0	20,218.6	19,296.3	39,514.9

Component: Alaska Housing Finance Corporation Operations

Contact: Les Campbell, Budget Director

Tel: (907) 330-8335 **Fax:** (907) 330-8361 **E-mail:** lcampbel@ahfc.state.ak.us

Component Mission

To provide access to housing and the Alaska dividend.

Component Services Provided

Data in BRU

Component Goals and Strategies

Data in BRU

Key Component Issues for FY2001 – 2002

Data in BRU

Major Component Accomplishments for FY2000

Data in BRU

Statutory and Regulatory Authority

AS 18.55	Housing, Public Building, Urban Renewal, and Regional Housing Authorities
AS 18.56	Alaska Housing Finance Corporation
15 AAC 118	Health and Safety
15 AAC 150	Alaska Housing Finance Corporation
15 AAC 151	AHFC General Programs
15 AAC 152	AHFC Rural Housing
15 AAC 153	AHFC Public Housing
15 AAC 154	Grant Programs
15 AAC 155	AHFC Energy Efficiency Programs
19 AAC 69	Energy Efficiency
19 AAC 80	Housing Assistance Loan Fund
19 AAC 82	Home Ownership Assistance Program
19 AAC 83	State-Assisted Rental Housing Construction Program
19 AAC 85	Senior Citizens Housing Development Fund
19 AAC 88	Supplemental Housing Development Grants
19 AAC 89	Senior Housing Revolving Fund

Code of Federal Regulations

10 CFR 420	State Energy Conservation Plans
10 CFR 440	Weatherization Assistance for Low-income Persons
24 CFR 41	Policy and Procedures for the enforcement of standards and requirements for accessibility...
24 CFR 42	Uniform Relocation Assistance & Real Property Acquisition for federal & federally assisted ...
24 CFR 91	State & Local Housing Affordability Strategies
24 CFR 92	HOME Investment Partnerships Program

24 CFR 219	Flexible Subsidy Program - Capital Improvement Loans
24 CFR 574	Housing Opportunities for Persons with AIDS
24 CFR 575	Emergency Shelter Grants
24 CFR 576	Emergency Shelter Grants: Steward B. McKinney Homeless Assistance Act
24 CFR 582	Shelter Plus Care Program
24 CFR 583	Supportive Housing Program
24 CFR 600	Comprehensive Planning Assistance
24 CFR 850	Housing Development Grants
24 CFR 880	Section 8 Housing Assistance Payment Program for new construction
24 CFR 882	Section 8 Housing Assistance Payment Program - existing housing
24 CFR 886	Section 8 Housing Assistance Payment Program - special allocations
24 CFR 887	Housing Voucher Program
24 CFR 889	Grant Programs - Housing & Community Dev., Low- and Moderate-income Housing...
24 CFR 901	Public Housing Management Assessment Program
24 CFR 941	Public Housing Development
24 CFR 961	Drug Abuse, Drug Traffic Control, Grants Programs - Housing & Community Dev...
24 CFR 963	Public Housing - Contracting with Resident-owned businesses
24 CFR 964	Tenant Participation & Management in Public Housing
24 CFR 965	PHA-owned or leased projects - Maintenance & Operation
24 CFR 968	Comprehensive Grants Program
24 CFR 970	Public Housing Program - demolition or disposition of public housing projects
24 CFR 990	Annual Contributions for Operating Subsidy
45 CFR Subtitle B	Family Self-Sufficiency Program

Alaska Housing Finance Corporation Operations

Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	19,185.4	20,786.1	21,786.4
72000 Travel	601.9	780.5	1,040.5
73000 Contractual	10,586.0	10,773.9	11,257.8
74000 Supplies	1,772.6	1,834.1	2,580.9
75000 Equipment	398.6	222.6	234.6
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	1,450.0	615.0	630.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	33,994.5	35,012.2	37,530.2
Funding Sources:			
1002 Federal Receipts	17,657.6	18,866.1	20,218.6
1007 Inter-Agency Receipts	1,500.0	600.0	600.0
1061 Capital Improvement Project Receipts	1,217.5	1,457.2	1,501.1
1103 Alaska Housing Finance Corporation Receipts	13,619.4	14,088.9	15,210.5
Funding Totals	33,994.5	35,012.2	37,530.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Federal Receipts	51010	17,657.6	18,866.1	18,866.1	20,218.6	21,000.0
Interagency Receipts	51015	1,500.0	600.0	600.0	600.0	1,000.0
Capital Improvement Project Receipts	51200	1,217.5	1,457.2	1,457.2	1,501.1	1,600.0
AK Housing Finance Corporation Receipts	51407	13,619.4	14,088.9	14,088.9	15,210.5	16,000.0
Restricted Total		33,994.5	35,012.2	35,012.2	37,530.2	39,600.0
Total Estimated Revenues		33,994.5	35,012.2	35,012.2	37,530.2	39,600.0

Alaska Housing Finance Corporation Operations
Proposed Changes in Levels of Service for FY2002

Data in BRU

Summary of Component Budget Changes
From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	18,866.1	16,146.1	35,012.2
Adjustments which will continue current level of service:				
-Year 2 Labor Costs - Net Change from FY2001	0.0	73.9	101.4	175.3
Proposed budget increases:				
-Add three PCNs & Federal funds to administer 370 new Section 8 Vouchers	0.0	300.0	0.0	300.0
-Add Federal funds to administer the Conventional Low Rent Program	0.0	724.4	0.0	724.4
-Add two PCNs for Compliance Auditors to monitor projects in the HOME and Tax Credit programs	0.0	0.0	129.0	129.0
-Add Corporate, Federal, and CIP funds to restructure the Salary Schedule	0.0	135.5	221.7	357.2
-Add Corporate funds for programs transferring from the Capital Budget to the Operating Budget	0.0	0.0	462.0	462.0
-Add Corporate and Federal funds for increases in fixed costs	0.0	118.7	251.4	370.1
FY2002 Governor	0.0	20,218.6	17,311.6	37,530.2

Alaska Housing Finance Corporation Operations

Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	319	325	Annual Salaries	15,727,972
Part-time	21	20	COLA	401,118
Nonpermanent	9	9	Premium Pay	390,700
			Annual Benefits	6,347,649
			Less 4.73% Vacancy Factor	(1,081,039)
			Lump Sum Premium Pay	0
Totals	349	354	Total Personal Services	21,786,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant I	4	0	0	0	4
Accountant II	5	0	0	0	5
Accounting Assistant I	1	0	0	0	1
Accounting Assistant II	7	0	0	0	7
Accounting Assistant III	2	0	0	0	2
Admin Assistant I Trainee	2	0	0	0	2
Admin Assistant II/Courier	3	0	0	0	3
Admin Assistant II/Dispatch	1	0	0	0	1
Admin Assistant II/Reception	1	0	0	0	1
Admin Assistant III/Courier	2	0	0	0	2
Administrative Assistant I	4	0	0	0	4
Administrative Assistant II	2	0	0	0	2
Administrative Assistant III	10	0	0	0	10
Area Coordinator	1	1	1	0	3
Area Coordinator/Statewide	1	0	0	0	1
Asset Mgt/Supply Coord	1	0	0	0	1
Asset Servicing Specialist III	2	0	0	0	2
Audit Specialist I	1	0	0	0	1
Audit Specialist II	4	0	0	0	4
Budget Assistant	1	0	0	0	1
Budget Specialist I	2	0	0	0	2
Chief Admin Officer	1	0	0	0	1
Clerical Support Supervisor	1	0	0	0	1
Communication Spclst II	2	0	0	0	2
Computer Network Analyst	1	0	0	0	1
Computer Operations Spclst	1	0	0	0	1
Construction Inspector	1	2	0	1	4
Contract Management Specialist	1	0	0	0	1
Controller	1	0	0	0	1
Coord, Asset Mgt & Rec Ctr	1	0	0	0	1
Coordinator, Admin Services	1	0	0	0	1
Coordinator, Admin Support	1	0	0	0	1
Coordinator, Construction	6	0	0	0	6
Coordinator, Maintenance	1	0	0	0	1
Coordinator, Program Support	1	0	0	0	1
Custodian	5	1	1	1	8
Dep Executive Director	1	0	0	0	1
Director, Budget	1	0	0	0	1
Director, Admin Services	1	0	0	0	1

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Director, Construction	1	0	0	0	1
Director, Finance	1	0	0	0	1
Director, Housing Operations	1	0	0	0	1
Director, Internal Audit	1	0	0	0	1
Director, Mortgage Operations	1	0	0	0	1
Director, Personnel	1	0	0	0	1
Director, Planning/Prog Dev	1	0	0	0	1
Director, Public Housing	1	0	0	0	1
Director, Research/Rural D	1	0	0	0	1
Energy Specialist I	3	0	0	0	3
Energy Specialist II	1	0	0	0	1
Executive Assistant	1	0	0	0	1
Executive Director/CEO	1	0	0	0	1
Executive Secretary-Board	1	0	0	0	1
FIC Program Supervisor	2	0	0	0	2
Finance Officer	2	0	0	0	2
Financial Analyst II	1	0	0	0	1
Financial Assistant II	1	0	0	0	1
Gateway Center Administrator	1	0	0	0	1
Grant Administrator	2	0	0	0	2
Grant Specialist	1	0	0	0	1
Grants Manager	1	0	0	0	1
Housing Admin Specialist I	1	0	0	0	1
Housing Assistant I	0	0	0	1	1
Housing Assistant II	3	1	0	2	6
Housing Assistant III	3	0	1	0	4
Housing Managemnt Spec	1	0	0	0	1
Housing Managemnt Spec I	2	0	0	0	2
Housing Program Admin Sup	1	0	0	0	1
Housing Program Spclst I	0	2	0	1	3
Housing Program Spclst II	17	3	4	5	29
Housing Program Spclst III	0	0	0	7	7
Housing Program Spclst III/FSS	0	0	1	0	1
Housing Program Spclst IV	0	1	0	3	4
Housing Specialist	1	0	0	0	1
Information Sys Trainer	1	0	0	0	1
Inventory Specialist	1	0	0	0	1
IS PC Programmer	1	0	0	0	1
IS Web Programmer Analyst	1	0	0	0	1
Laborer	11	4	2	12	29
Lead Mechanic	4	1	1	1	7
Lead Mechanic/Prev Maint	1	0	0	0	1
Legislative Liaison	1	0	0	0	1
Loan Closing Specialist	1	0	0	0	1
Loan Examiner	0	0	0	3	3
Loan Underwriter I	3	0	0	0	3
Loan Underwriter II	1	0	0	0	1
Loan Underwriter Supervisor	1	0	0	0	1
Loan Underwriter Trainee	1	0	0	0	1
Maintenance Mechanic	12	3	3	10	28
Management Specialist I	4	0	0	0	4
Management Specialist II	1	0	0	0	1
Management Specialist III	1	0	0	0	1
Manager, Accting Operations	1	0	0	0	1
Manager, Asset Management	1	0	0	0	1
Manager, Audit	1	0	0	0	1

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Manager, Budget	1	0	0	0	1
Manager, Construction	2	0	0	0	2
Manager, Contract Management	1	0	0	0	1
Manager, Financial Acct	2	0	0	0	2
Manager, Microsystems	1	0	0	0	1
Manager, Payroll	1	0	0	0	1
Manager, Procurement	1	0	0	0	1
Manager, Prog & Policy Dev	1	0	0	0	1
Manager, Risk Management	1	0	0	0	1
Manager, Servicing	1	0	0	0	1
Manager, System Operations	1	0	0	0	1
Microsystems Analyst	2	0	0	0	2
Microsystems Assistant	1	0	0	0	1
Mortgage Admin Assistant II	2	0	0	0	2
Mortgage Admin Specialist	1	0	0	0	1
Mortgage Admin Supervisor	1	0	0	0	1
Mortgage Admin Technician	1	0	0	0	1
Mortgage Assistant II	1	0	0	0	1
Mortgage Field Coordinator	1	0	0	0	1
Mortgage Outreach Spec II	2	0	0	0	2
Mortgage Project Specialist	1	0	0	0	1
Mortgage Specialist	1	0	0	0	1
Multi-Family Underwriting Sup	1	0	0	0	1
Officer, Corp Communicatns	1	0	0	0	1
Officer, Financial Reporting	1	0	0	0	1
Officer, Information System	1	0	0	0	1
Officer, Mortgage Projects	1	0	0	0	1
Officer, Procurement	1	0	0	0	1
Officer, Research & Rural Dev	1	0	0	0	1
Officer, Rural Loans	1	0	0	0	1
Officer, Servicing	1	0	0	0	1
Personnel Assistant	1	0	0	0	1
Personnel Spec/Labor Rel Rep	1	0	0	0	1
Personnel Specialist	1	0	0	0	1
Planner I	3	0	0	0	3
Planner II	1	0	0	0	1
Procurement Specialist II	1	0	0	0	1
Procurement Specialist III	4	0	0	0	4
Program Administrator-Res Svcs	2	0	0	0	2
Projects Coordinator	1	0	0	0	1
Property Compliance Specialist	1	0	0	0	1
Research Analyst	1	0	0	0	1
Risk Management Spec I	1	0	0	0	1
Rural Development Spec	0	1	0	0	1
Senior Finance Officer	1	0	0	0	1
Senior System Analyst	4	0	0	0	4
Servicing Specialist II	3	0	0	0	3
Servicing Specialist III	4	0	0	0	4
Special Assistant	1	0	0	0	1
Special Asst/Communications	1	0	0	0	1
Special Asst/Research & Rural	1	0	0	0	1
Special Property Manager	0	0	0	1	1
Student Hire	6	1	2	0	9
Supplemental Hsg Coordinator	1	0	0	0	1
System Operator II	1	0	0	0	1
System Programmer Analyst	2	0	0	0	2

Component — Alaska Housing Finance Corporation Operations

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Totals	269	21	16	48	354

Component: Anchorage State Office Building

Contact: Les Campbell, Budget Director

Tel: (907) 330-8356 **Fax:** (907) 330-8361 **E-mail:** lcampbel@ahfc.state.ak.us

Component Mission

To provide funds to manage and operate the Anchorage State Office Building.

Component Services Provided

This component is established under AHFC to utilize a portion of the income and revenues from the building towards the annual operational costs of the Anchorage State Office Building. Funds approved will be transferred (RSA'd) to the Department of Administration as part of their budget request for Division of General Services.

Component Goals and Strategies

CSSB 178 (FIN) am H (Ch51, SLA 1997) authorized the Alaska Housing Finance Corporation (AHFC) to purchase the Bank of America building in Anchorage for lease by state agencies. The purchase was made by AHFC on July 15, 1997, and a lease with the Division of General Services (DGS), Department of Administration was signed at the same time. Per the lease agreement, AHFC as the owner of the building is entitled to private tenant rents collected from existing leases in the building at the time of purchase. The DGS is to administer the building and oversee its day to day operations and maintenance.

Key Component Issues for FY2001 – 2002

During the years with non-state tenants, income from non-state tenants will be used to fund the cost of building operations. In later years all building operating costs will be borne by state tenants.

Major Component Accomplishments for FY2000

Administered by the Department of Administration (DGS).

Statutory and Regulatory Authority

AS 18.55.100(d)
Ch.51,SLA1997

Anchorage State Office Building

Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	1,984.7	1,984.7	1,984.7
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,984.7	1,984.7	1,984.7
Funding Sources:			
1103 Alaska Housing Finance Corporation Receipts	1,984.7	1,984.7	1,984.7
Funding Totals	1,984.7	1,984.7	1,984.7

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
AK Housing Finance Corporation Receipts	51407	1,984.7	1,984.7	1,984.7	1,984.7	1,984.7
Restricted Total		1,984.7	1,984.7	1,984.7	1,984.7	1,984.7
Total Estimated Revenues		1,984.7	1,984.7	1,984.7	1,984.7	1,984.7

Anchorage State Office Building
Proposed Changes in Levels of Service for FY2002

None

Summary of Component Budget Changes
From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	0.0	1,984.7	1,984.7
FY2002 Governor	0.0	0.0	1,984.7	1,984.7

BRU/Component: Alaska Mental Health Trust Authority

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

Contact: Jeff Jessee, Executive Director

Tel: (907) 269-7960 **Fax:** (907) 269-7966 **E-mail:** Jeff_Jessee@mhta.revenue.state.ak.us

Component Mission

To ensure access to comprehensive and integrated mental health programs.

Component Services Provided

Administer the Mental Health Trust in carrying out its trust obligations.

- Enhance and protect the land assets of the Trust;
- Enhance and protect the cash assets of the Trust;
- Provide leadership in advocacy, planning, implementing and funding of a comprehensive integrated mental health program; and
- Spend Trust income to improve the lives and circumstances of trust beneficiaries.

Component Goals and Strategies

- Maximize revenues from Trust Land assets;
- Maximize revenues from Trust Cash Asset;
- Ensure leadership in advocacy, planning, implementing, funding and evaluating of the comprehensive integrated mental health program;
- Use Trust income to maintain efficient and fully accountable operations for programs and projects that improve the lives and circumstances of the Trust beneficiaries;
- Develop a partnering initiative to leverage funds from private corporations and foundations for mental health programs.

Key Component Issues for FY2001 – 2002

- In light of the stock market changes and volatility, maintain a Principal Reserve account balance sufficient to protect the disbursement rate over time so as to allow the comprehensive integrated mental health program budget to remain funded at a constant level.
- Replacing and reducing the size of the state psychiatric hospital, while simultaneously increasing the Southcentral Alaska community-based services to compensate for this downsizing.
- To coordinate and collaborate with the various state agencies, providers and advocacy groups to meet the program needs of the trust beneficiaries.
- To support the innovative programs and projects in the areas of housing, transportation, employment, and service needs for Trust beneficiaries, while maintaining the current funding level for mental health programs and projects to avoid a serious gap in services.
- To provide support to the various task forces on insurance parity, employment, community-based services, homeless, and transportation issues so as to allow the current state administered programs to continue until a solution or mandate can be met.
- The lack of knowledge about the Alaska Mental Health Trust has focused our attention on educating the beneficiaries, their families, policymakers and the public about the Trust's responsibilities and activities.
- Develop a partnering initiative to leverage funds from private corporations and foundations for mental health programs.

Major Component Accomplishments for FY2000

- We have used Trust land and income for a plan to downsize and build the new state psychiatric hospital while improving the Southcentral community-based services to absorb the downsized patient beds.
- We have used Trust income to leverage other funds and to make a coordinated effort at establishing or improving beneficiary housing, transportation services, quality assurance, community telepsychiatry, and employment initiatives. Trust dollars also leveraged funds for direct service provider training, the women's and men's substance abuse treatment, jail alternative services, medicaid services, rural emergency services, fetal alcohol effects and syndrome, the children's care coordination services, and a mental health consumer affairs program.

Statutory and Regulatory Authority

AS 37.14
AS 47.30

Key Performance Measures for FY2002

Measure: Trust Land Revenues- Use the CIP resources to increase gross annual revenues for Trust Land by 18% and hold core costs Trust Land Office Administration at 25% of the gross annual revenue.
(Not yet addressed by Legislature.)

Current Status:

The Trust Land gross revenues for FY2001 are \$4.1 million. For the 1st Quarter of FY2001, the gross revenues are at 44% of that goal. The core costs of the Trust Land Office administration for the 1st Quarter of FY2001 are approximately \$285.0 (30% of the budget) or about 7% of the gross revenue.

Measure: Trust Cash Assets - Disburse 3.5% of the Trust's cash assets and hold Trust Authority Administration budget at 10% of the disbursed amount.
(Not yet addressed by Legislature.)

Current Status:

The current disbursement rate for FY2001 is 3.5% and \$11,762.5 is the projected amount available for funding the FY2002 MHTAAR (Mental Health Trust Authority Authorized Receipt) Budget recommendations. The Trust Authority Administrative Budget for FY2001 is \$940.2 and for FY2002 is \$964.0 which is 8% of the disbursed amount.

Measure: At least 50% of the MHTAAR funded projects and 80% of small projects funded with Trust income will report consumer-oriented performance measures.
(Not yet addressed by Legislature.)

Current Status:

In FY2000, a total of 42 of the 103 MHTAAR funded projects reported on performance measures to some extent, a rate of 40%. For FY2001, the Trust changed the reporting requirements to an implementation report due in November. This report only addresses an implementation plan for new projects beginning in FY 2001. The status reports of all projects are due in June.
In FY2000, 76% of the small projects reported completion or partial achievement of the consumer oriented performance measures. Too soon to measure FY2001.

Measure: The Trust will spend income to develop 3 new partnerships, leverage \$2,000.0 in other funds, initiate 3 collaborative board projects and allocate 50% of the small projects funding for rural projects.
(Not yet addressed by Legislature.)

Current Status:

In FY2001, the Trust has worked with several external foundations to establish funding partnerships with the Denali Commission, Murdock Foundation and the Alaska Tribal Health Consortium. The final funding decisions are still pending. As of October, the Trust has funded 20 small projects (47% for rural). The Trust funded 12 collaborative board projects or approximately 25% of the total disbursed amount. (\$2,885.0)

Measure: The amount of revenue from land and cash.
(Developed jointly with Legislature in FY2000.)

Current Status:

In FY2002, the Trust projects \$15,849.3 available for funding the mental health programs. \$11,762.5 in Trust investment income (APFC), \$1,800.0 in Trust Land income, \$600.0 interest on the Department of Revenue income accounts, \$700.0 unobligated MHTAAR from FY2001, and \$986.8 from lapsed MHTAAR from FY2000.

Measure: The percentage of trust income disbursed for mental health programs.
(Developed jointly with Legislature in FY2000.)

Current Status:

In FY01, the Trust disbursed \$17,775.3 of Trust income. 59% for Mental Health Operating, 24% Mental Health Capital, 10% Trust Land Operating and Capital, 5% for Trust Authority Administration and 2% for Small Grants and Contracts.

In FY2001, the Trust increased the disbursement of Trust income by 53% over the prior fiscal year for mental health programs.

Measure: The number of partners and the amount of money from mental health trust programs received from funding partners.
(Developed jointly with Legislature in FY2000.)

Current Status:

In FY00, the Trust partnered with 7 different funders, Federal SAMHSA, Federal Transit Authority, AHFC, Fairbanks Borough and City, Petersburg, and Alaska Tribal Health Consortium.

MHTAAR	Partnering funds
Operating Projects: \$469.0 MHTAAR	\$1,141.2 PARTNERING
Capital Projects: \$2,500.0 MHTAAR	\$7,550.0 PARTNERING
TOTAL: \$2,969.0 MHTAAR	\$8,691.2 PARTNERING
\$2.93 match for each \$1.00 MHTAAR	

Status of FY2001 Performance Measures

	Achieved	On track	Too soon to tell	Not likely to achieve	Needs modification
<ul style="list-style-type: none"> Trust Land Revenues- Use the CIP resources to increase gross annual revenues for Trust Land by 18% and hold core costs Trust Land Office Administration at 25% of the gross annual revenue. Trust Cash Assets - Disburse 3.25% of the Trust's cash assets and hold Trust Authority Administration budget at 10% of the disbursed amount. 		X			X

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> At least 50% of the MHTAAR funded projects and 80% of small projects funded with Trust income will report consumer-oriented performance measures. The Trust will spend income to develop 3 new partnerships, leverage \$2,000.0 in other funds, add 20 new small projects and initiate 3 collaborative board projects. The amount of revenue from land and cash. The percentage of trust income disbursed for mental health programs. The number of partners and the amount of money from mental health trust programs received from funding partners. 		X	X X		X X

Alaska Mental Health Trust Authority

Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	394.8	457.9	464.0
72000 Travel	86.6	110.0	125.0
73000 Contractual	280.7	352.3	352.3
74000 Supplies	23.1	15.0	15.0
75000 Equipment	2.6	5.0	5.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	787.8	940.2	961.3
Funding Sources:			
1094 Mental Health Trust Administration	787.8	940.2	961.3
Funding Totals	787.8	940.2	961.3

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
<u>Unrestricted Revenues</u>						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
<u>Restricted Revenues</u>						
Mental Health Trust Administration	51425	787.8	940.2	940.2	961.3	992.8
Restricted Total		787.8	940.2	940.2	961.3	992.8
Total Estimated Revenues		787.8	940.2	940.2	961.3	992.8

Alaska Mental Health Trust Authority

Proposed Changes in Levels of Service for FY2002

No anticipated service changes

Summary of Component Budget Changes

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	0.0	940.2	940.2
Adjustments which will continue current level of service:				
-Year 2 Labor Costs - Net Change from FY2001	0.0	0.0	-2.7	-2.7
Proposed budget increases:				
-Increment to reflect FY02 Spending Plan	0.0	0.0	23.8	23.8
FY2002 Governor	0.0	0.0	961.3	961.3

Alaska Mental Health Trust Authority

Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	6	7	Annual Salaries	351,359
Part-time	0	0	COLA	5,193
Nonpermanent	1	3	Premium Pay	0
			Annual Benefits	120,504
			<i>Less 2.74% Vacancy Factor</i>	(13,056)
			Lump Sum Premium Pay	0
Totals	7	10	Total Personal Services	464,000

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
[No valid job title]	1	0	0	0	1
Administrative Assistant	1	0	0	0	1
Administrative Clerk II	1	0	0	0	1
Administrative Clerk III	1	0	0	0	1
Administrative Manager III	1	0	0	0	1
Ex Dir AK Mental Hlth Trust	1	0	0	0	1
Graduate Intern I	2	0	0	0	2
Hlth & Soc Svcs Plnr II	2	0	0	0	2
Totals	10	0	0	0	10

Revenue Operations Budget Request Unit

Contact: Larry Persily, Deputy Commissioner

Tel: (907) 465-5469 **Fax:** (907) 465-2389 **E-mail:** larry_persily@revenue.state.ak.us

BRU Mission

To administer the state's tax and charitable gaming laws to collect revenue efficiently and treat taxpayers, permittees, and licensees equitably; to equitably, efficiently, and expeditiously administer and collect production and property taxes and royalties and to assist policy makers with oil and gas issues; to prudently manage the state's financial assets; and to prudently manage and invest state pension funds.

BRU Services Provided

TAX DIVISION

- Administer taxes imposed by the State of Alaska including development and processing of tax forms, collection of revenue, taxpayer service and presentation of information to the public and policy makers.
- Administer the charitable gaming and unclaimed property programs.

TREASURY

- Manage the investments of State funds under the fiduciary responsibility of the Commissioner of Revenue, or as requested by other fiduciaries: General Fund, International Airports Bond Funds, Constitutional Budget Reserve Fund, Student Loan Bond Funds, Children's Trust, Advanced College Education Tuition Fund, Public School Trust Fund, Retiree Health Insurance Fund, and University of Alaska Trust Fund.
- Provide consultative cash management services to all State agencies.
- Provide consultative capital financing services to State agencies.
- Provide staff to the Alaska State Pension Investment Board, the State Bond Committee and the Alaska Municipal Bond Bank Authority.

ALASKA STATE PENSION INVESTMENT BOARD

- Invest the funds of the State defined benefit pension plans: Public Employees Retirement System Trust, Teachers' Retirement System Trust, Judicial Retirement System Trust, Naval Militia Retirement System Trust.
- Recommend appropriate investment options for the Supplemental Benefits Annuity Plan and the Deferred Compensation Plan to the plan fiduciary, the Commissioner of Administration.

BRU Goals and Strategies

TAX DIVISION

1. Complete conversion to electronic filing for oil and gas severance taxpayers.
2. Pilot electronic filing of excise tax returns.
 - Select an excise tax program to designate as a pilot.
 - Work with taxpayers to develop a reasonable, cost-effective system for filing tax returns electronically.

TREASURY

1. Maximize the investment rate of return on investment portfolios consistent with statutes and fiduciary standards without incurring undue risks.
 - Manage the funds in accordance with the stated asset allocation objectives and constraints.
 - Meet or exceed established investment benchmarks/targets over the appropriate time horizon.
 - Minimize uninvested cash through the automation of the collection and deposit of State receipts.
2. Assist State agencies with their conversion to electronic remittances of revenues and related information.
 - Automate collection of retirement contributions, unemployment insurance and workers compensation payments, oil and gas and court systems payments via Automated Clearing House (ACH).

- Work with agencies to clear Treasury Receipts within 15 days to reduce CBRF borrowing for cashflow.
- 3. Issue and manage State debt at minimum costs to the State.
 - Issue debt for capital financing and pursue refinancing opportunities to reduce interest costs when feasible.
 - Maintain the State's bond rating.

ALASKA STATE PENSION INVESTMENT BOARD

1. Maximize the investment rate of return on funds managed consistent with fiduciary standards.
 - Manage the Trusts in accordance with the stated asset allocation objectives and constraints.
 - Meet or exceed established investment benchmarks/targets over the appropriate time horizons.

Key BRU Issues for FY2001 – 2002

TAX DIVISION

The department is working to implement the legislature's direction in the 1999 session to merge the Income and Excise Audit Division and the Oil and Gas Audit Division effective April 1, 2000. We will spend a significant amount of time completing different aspects of the merger, with a goal of operational efficiencies. In addition, we will pilot electronic filing of an excise tax program.

TREASURY

Treasury's investment manager expenses are market driven and are difficult to predict. If returns exceed expectations, then fees also increase. The increase in fees could exceed the amount authorized in Treasury's budget. Also, the new issuance of debt or the refinancing of debt when feasible may add additional costs to the Division that are not authorized. Treasury must be able to react quickly to market opportunities and changes. Waiting for the necessary revised authorizations (RPL's or supplementals) could lead to lost revenue to the State and the funds managed by Treasury. The Division makes every effort to budget for the likely range of fees and expenses and monitors actuals on a close basis so that additional funds may be requested in a timely manner if needed.

ALASKA STATE PENSION INVESTMENT BOARD

The ASPIB is responsible for the performance and safety of the retirement funds' investments. Their goals and objectives are accomplished, in part, through the prudent use of a statutorily required Investment Advisory Council, qualified external investment professionals, and the staff of the DOR Treasury Division. The costs of providing the investment management services for the retirement systems are directly related to the size of the assets managed and volume of cash and investment transactions. The investment staff must be able to react quickly to market opportunities and changes. Waiting for the necessary revised authorizations (RPL's or supplementals) could lead to lost revenue to the pension trusts and possibly result in increased employer contributions in the future. The Division makes every effort to budget for the likely range of fees and expenses and monitors actuals on a close basis so that additional funds may be requested in a timely manner if needed.

Major BRU Accomplishments for FY2000

INCOME AND EXCISE AUDIT

- Developed and implemented electronic filing for revenue tax collection through Automated Clearing House.
- Increased compliance and audit coverage in the areas of motor fuel and tobacco tax.
- Continued to expand the quality and quantity of tax forms and revenue projections on our Internet website.
- Emphasized compliance in charitable gaming, specifically in the multiple beneficiary area.

OIL AND GAS AUDIT

- Completed auditing all production tax returns for years through 1995.
- Continued electronic filings project to speed information collection and reduce taxpayer and division workload.
- Worked with Department of Law on extensive analysis of many aspects of proposed acquisition of Arco by BP.

- Completed substantial work on new regulations package concerning tax on gas and gas liquids (adopted in FY 2000).
- Successfully negotiated a two year agreement on value for the Trans Alaska Pipeline system (TAPS) with the pipeline owners, and the municipalities and boroughs along TAPS.
- Awarded a new consultant contract under a three year arrangement to assist in valuation and engineering services for AS 43.55, at significantly lower cost than prior contract.
- Worked with the Office of Management and Budget and the Legislative Finance Division to rework the presentation of the total state revenue picture in the presentation of the Revenue Sources forecast.
- Continued to expand the quantity and quality of timely information about state revenues on our Internet website.
- Successfully resolved a number of small, older appeals cases; several newly issued audits were resolved shortly after the assessments were issued.
- Successfully closed the final separate income tax case (AS 43.21; repealed 1981).

TREASURY

- All funds met their target rates of return.
- Financed \$25 million revenue bond for the terminal redevelopment project at the Anchorage International Airport.
- Continued progress on automation of collection of State receipts via Automated Clearing House.

ALASKA STATE PENSION INVESTMENT BOARD

- All funds met their target returns.
- The Board added an externally managed portfolio of domestic fixed income securities to the asset class mix.
- As the result of a prior year Supplemental Benefits System participant survey, the Board selected Tactical Asset Allocation and Global Balanced Fund managers this year to add to the current selections available to participants.

Revenue Operations
BRU Financial Summary by Component

All dollars in thousands

	FY2000 Actuals				FY2001 Authorized				FY2002 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Income and Excise Audit	3,985.3	0.0	76.9	4,062.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Treasury Management	1,087.8	0.0	1,688.3	2,776.1	1,261.4	0.0	1,895.9	3,157.3	1,455.3	0.0	2,003.3	3,458.6
AK State Pension Investment Bd	0.0	0.0	2,710.3	2,710.3	0.0	0.0	3,195.5	3,195.5	0.0	0.0	3,195.5	3,195.5
Oil and Gas Audit	2,383.7	0.0	233.4	2,617.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ASPIB Custody and Mgt Fee	0.0	0.0	27,418.8	27,418.8	0.0	0.0	29,213.6	29,213.6	0.0	0.0	33,713.6	33,713.6
Tax Division	0.0	0.0	0.0	0.0	6,489.3	0.0	472.5	6,961.8	6,236.3	0.0	365.1	6,601.4
Totals	7,456.8	0.0	32,127.7	39,584.5	7,750.7	0.0	34,777.5	42,528.2	7,691.6	0.0	39,277.5	46,969.1

Revenue Operations

Proposed Changes in Levels of Service for FY2002

No anticipated changes

Revenue Operations

Summary of BRU Budget Changes by Component

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	7,750.7	0.0	34,777.5	42,528.2
Adjustments which will continue current level of service:				
-Treasury Management	112.2	0.0	-2.1	110.1
-Tax Division	-253.0	0.0	-107.4	-360.4
Proposed budget increases:				
-Treasury Management	81.7	0.0	109.5	191.2
-ASPIB Custody and Mgt Fee	0.0	0.0	4,500.0	4,500.0
FY2002 Governor	7,691.6	0.0	39,277.5	46,969.1

Component: Treasury Management

Contact: Betty Martin, Comptroller

Tel: (907) 465-2352 **Fax:** (907) 465-2394 **E-mail:** Betty_Martin@revenue.state.ak.us

Component Mission

The mission of the Treasury Division is to manage the state's funds.

Component Services Provided

1. Manage the investments of State funds under the fiduciary responsibility of the Commissioner of Revenue, or as requested by other fiduciaries:
 - General Fund
 - International Airports Bond Funds
 - Constitutional Budget Reserve Fund
 - Student Loan Bond Funds
 - Children's Trust
 - Advanced College Education Tuition Fund
 - Public School Trust Fund
 - Retiree Health Insurance Fund
 - University of Alaska Trust Fund
2. Provide cash management and investment advice and services to all State agencies.
3. Provided capital financing advice and services to State agencies.
4. Provide staff to the Alaska State Pension Investment Board, the State Bond Committee and the Alaska Municipal Bond Bank Authority.

Component Goals and Strategies

1. Maximize the rate of return on investment portfolios consistent with statutes and fiduciary standards without incurring undue risks.
 - Manage the funds in accordance with the stated asset allocation objectives and constraints.
 - Meet or exceed established investment benchmarks over the appropriate time horizon.
 - Minimize uninvested cash through the automation of the collection and deposit of State receipts.
 - Increase use of technology to make processes more efficient.
2. Accurately and efficiently monitor, collect, and disburse cash receipts.
 - Implement new technology for tracking receipts and disbursements.
 - Assist State agencies with their conversion to electronic remittances of revenues and related information.
 - Automate collection of retirement contributions, unemployment insurance, workers compensation payments, oil and gas, and court systems payments via Automated Clearing House (ACH).
 - Work with agencies to clear treasury receipts within 15 days to reduce CBRF borrowing for cash flow.
3. Issue and manage State debt at minimum costs to the State.
 - Issue debt for capital financing and pursue refinancing opportunities to reduce interest costs when feasible.
 - Keep rating agencies informed about Alaska in order to maintain the State's bond rating.
 - Implement master lease program to allow tax-exempt financing of smaller purchases that are currently financed at taxable rates or purchased.
4. Safeguard and monitor the invested assets of the State.

- Issue accurate and timely financial reports.
- Monitor compliance with established internal controls and policies.

Key Component Issues for FY2001 – 2002

Key issues for cash management relate to Alaska's geographical dispersion of population and the difficulty of access to communities, which, because it makes traditional paper-based transactions problematic, puts a premium on technologies that do not rely on traditional forms of transportation. Accordingly, treasury is involved in the development of cutting-edge technology for cash management, which requires effort and time to reach the desired goal. A key issue for portfolio management includes implementation of a securities lending program. In addition, the increasing volatility of the financial markets will be a big concern in the coming year. A key issue for the State comptroller will be implementation of a holder compliance program for unclaimed property.

Major Component Accomplishments for FY2000

- All funds met or exceeded their one-year benchmark rates of return except for the two endowment funds (Children's Trust and Public School Trust) and the Retiree Health Insurance Fund Long-term Care Fund (RHIF/LTC). The endowment funds' under performance was specifically related to the performance of the broad market fixed income portfolio. This portfolio was focused on producing high current income for the benefit of the Trusts' beneficiaries. While producing high current income, the portfolio had a lower total return than its benchmark.

The under performance of the RHIF/LTC fund was due to the way Treasury structured the implementation of a new asset allocation that included international equities. Treasury changed the benchmark to include full allocation to international equities at the beginning of the year. But the investment of the fund into this market was actually staggered over several quarters to dollar cost average. Not being fully invested for the same period as the benchmark has resulted in a lower overall performance relative to the benchmark. The fund is now fully invested according to its long-term asset allocation.

- Issued \$25 million in additional Airport construction bonds and a \$60 million Certificate of Participation with the Municipality of Anchorage for the Anchorage Jail.

Statutory and Regulatory Authority

AS 14.25.180
 AS 14.40.400
 AS 14.40.803-805
 AS 18.26
 AS 18.56.110
 AS 37.05.200
 AS 37.10
 AS 37.10.050
 AS 37.10.060
 AS 37.10.070-.075
 AS 37.12
 AS 37.15
 AS 39.30.155
 AS 39.35.080
 AS 43.05.150
 AS 43.05.170
 AS 43.05.180
 AS 44.25.020

Key Performance Measures for FY2002

Measure: Investment returns against performance benchmarks.

(Developed jointly with Legislature in FY2000.)

Current Status:

Annual returns for the most recent fiscal year are provided below. Five-year benchmark returns are being compiled and will be available for FY2001 comparisons.

Fund // FY 2000 Actual Return // FY2000 Benchmark Return

General Fund and Other Non-segregated Investments // 5.29% // 4.82%

CBRF // 5.02% // 4.43%

Alaska Children's Trust // 6.41% // 6.93%

Public School Trust Fund // 6.43% // 6.93%

International Airports Revenue Fund // 5.17% // 4.75%

International Airports 1999A/B Construction Funds // 5.02-5.3% // 4.81%

RHIF/Major Medical Fund // 4.42% // 4.81%

RHIF/Long-term Care Fund // 5.79% // 9.22%

Benchmark:

The benchmark return for each fund depends upon its asset allocation, that is, the mix of different asset classes that Treasury has invested it in. Each fund's individual benchmark return (as reported above) is calculated by weighting the percent of any asset class they hold by the appropriate asset class benchmark below.

For the Short-term Fixed Income Investment Pool - 3 month US Treasury Bill

For the Intermediate-term Fixed Income Investment Pool - Merrill Lynch 1-5 year Government Index

For the Long-term Fixed Income Pool - Lehman Brothers Aggregate Index

For the Domestic Equity Common Trust - Russell 3000 Stock Index

For the International Equity Common Trust - Morgan Stanley Capital International Europe, Australia and Far East Stock Index (EAFE)

Measure: Administrative costs per dollar of investment.

(Developed jointly with Legislature in FY2000.)

Benchmark:

The Division is in the process of determining if comparable statistics are available from similar entities. We are compiling the data for FY2000 to begin year-to-year trend analysis as well.

Measure: Moody's rating will continue to be AA2.

(Not yet addressed by Legislature.)

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
• Investment returns against performance benchmarks.			X		
• Administrative costs per dollar of investment.			X		
• Moody's rating will continue to be AA2.		X			

Treasury Management

Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,982.9	2,194.9	2,517.6
72000 Travel	45.4	23.6	23.6
73000 Contractual	569.4	906.2	884.8
74000 Supplies	31.6	17.5	17.5
75000 Equipment	146.8	15.1	15.1
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	2,776.1	3,157.3	3,458.6
Funding Sources:			
1001 Constitutional Budget Reserve Fund	0.0	125.0	125.0
1004 General Fund Receipts	1,070.5	1,104.6	1,086.3
1005 General Fund/Program Receipts	0.0	0.0	226.4
1007 Inter-Agency Receipts	1,514.1	1,541.6	1,583.6
1011 Alaska Advance College Tuition Payment Fund	19.2	28.5	28.5
1027 International Airport Revenue Fund	31.1	31.3	31.6
1046 Student Revolving Loan Fund	22.2	22.2	22.5
1053 Investment Loss Trust Fund	17.3	31.8	17.6
1066 Public School Fund	67.7	154.0	154.6
1089 Power Cost Equalization Fund	0.0	23.0	86.1
1098 Children's Trust Fund Earnings	34.0	42.5	43.2
1142 Retiree Health Ins Fund/Major Medical	0.0	19.7	19.9
1143 Retiree Health Ins Fund/Long-Term Care Fund	0.0	33.1	33.3
Funding Totals	2,776.1	3,157.3	3,458.6

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
Unrestricted Fund	68515	0.0	0.0	0.0	1,500.0	1,500.0
Unrestricted Total		0.0	0.0	0.0	1,500.0	1,500.0
Restricted Revenues						
Interagency Receipts	51015	1,514.1	1,541.6	1,541.6	1,583.6	1,583.6
Constitutional Budget Reserve Fund	51020	0.0	125.0	125.0	125.0	125.0
International Airport Revolving Fund	51055	31.1	31.3	31.3	31.6	31.6

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
General Fund Program Receipts	51060	0.0	0.0	0.0	226.4	226.4
Student Revolving Loan Fund	51140	22.2	22.2	22.2	22.5	22.5
Public School Fund	51225	67.7	154.0	154.0	154.6	154.6
UA Advance Tuition Fund	51376	19.2	28.5	28.5	28.5	28.5
Investment Loss Trust Fund	51393	17.3	31.8	31.8	17.6	17.6
Power Cost Equalization	51404	0.0	23.0	23.0	86.1	86.1
Children's Trust Fund Earnings	51414	34.0	42.5	42.5	43.2	43.2
Retiree Health Ins Fund/Major Medical	51428	0.0	19.7	19.7	19.9	19.9
Retiree Health Ins Fund/Long-Term Care	51429	0.0	33.1	33.1	33.3	33.3
Restricted Total		1,705.6	2,052.7	2,052.7	2,372.3	2,372.3
Total Estimated Revenues		1,705.6	2,052.7	2,052.7	3,872.3	3,872.3

Treasury Management

Proposed Changes in Levels of Service for FY2002

No anticipated service changes

Summary of Component Budget Changes

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	1,261.4	0.0	1,895.9	3,157.3
Adjustments which will continue current level of service:				
-Transfer Unclaimed Property from Tax Division	161.4	0.0	0.0	161.4
-Reverse 1-time funding for Revenue Bond fiscal note HB 281	-50.0	0.0	0.0	-50.0
-Year 2 Labor Costs - Net Change from FY2001	0.8	0.0	-2.1	-1.3
Proposed budget increases:				
-Add new position to audit Unclaimed Property Holders Compliance Program	65.0	0.0	0.0	65.0
-Add new position to Accounting staff for compliance monitoring	16.7	0.0	47.0	63.7
-Fund year 2 of the Power Cost Equalization Fund - HB 446	0.0	0.0	62.5	62.5
FY2002 Governor	1,455.3	0.0	2,003.3	3,458.6

Treasury Management
Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	29	34	Annual Salaries	1,979,914
Part-time	0	1	COLA	34,890
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	593,181
			<i>Less 3.62% Vacancy Factor</i>	(94,285)
			Lump Sum Premium Pay	0
Totals	29	35	Total Personal Services	2,513,700

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	3	0	3
Accountant IV	0	0	1	0	1
Accountant or Auditor	0	0	1	0	1
Accounting Clerk II	0	0	2	0	2
Accounting Tech I	0	0	1	0	1
Accounting Tech II	0	0	1	0	1
Accounting Tech III	0	0	2	0	2
Administrative Assistant	0	0	1	0	1
Administrative Clerk II	0	0	1	0	1
Administrative Clerk III	0	0	1	0	1
Analyst/Programmer V	0	0	1	0	1
Aspib Liaison Officer	0	0	1	0	1
Assistant Investment Officer	0	0	1	0	1
Asst State Comptroller	0	0	1	0	1
Dep Commissioner	0	0	1	0	1
Loan/Collection Manager	0	0	1	0	1
Loan/Collection Off II	0	0	1	0	1
Micro/Network Spec I	0	0	1	0	1
Operations Res Anl I	0	0	1	0	1
Project Coord	0	0	1	0	1
Secretary	0	0	1	0	1
State Comptroller	0	0	1	0	1
State Investment Officer I	0	0	1	0	1
State Investment Officer II	0	0	3	0	3
State Investment Officer III	0	0	3	0	3
State Investment Officer IV	0	0	1	0	1
UP Auditor	0	0	1	0	1
Totals	0	0	35	0	35

Component: Alaska State Pension Investment Board

Contact: Betty Martin, Comptroller

Tel: (907) 465-2352 **Fax:** (907) 465-2394 **E-mail:** Betty_Martin@revenue.state.ak.us

Component Mission

The mission of ASPIB is to manage state pension funds.

Component Services Provided

1. Invest the funds of the State defined benefit pension plans:
 - Public Employees Retirement System
 - Teachers' Retirement System
 - Judicial Retirement System
 - Alaska National Guard and Alaska Naval Militia Retirement System
2. Select and monitor appropriate investment options for the Supplemental Benefits Annuity Plan and the Deferred Compensation Plan.

Component Goals and Strategies

- Maximize the rate of return on funds managed consistent with fiduciary standards.
- Manage the Trusts in accordance with the stated asset allocation objectives and constraints.
- Meet or exceed established investment benchmarks/targets over the appropriate time horizons.
- Achieve top quartile investment returns on a risk-adjusted basis while limiting total risk to that of an average public-sector plan over the long term.
- Provide balanced menu of options for supplemental benefit systems and deferred compensation participants.

Key Component Issues for FY2001 – 2002

ASPIB must manage expectations created after an unprecedented five-year bull market. ASPIB will also consider implementation of a securities lending program. In addition, the increasing volatility of the financial markets will be a big concern in the coming year, as will the continued consolidation in the asset manager industry.

Major Component Accomplishments for FY2000

- All funds met their benchmark returns goals.
- The Board selected a socially conscious fund manager this year to add to the current selections available to participants of the Supplemental Benefits System Plan.

Statutory and Regulatory Authority

AS 14.25.180
AS 22.25.048(c)
AS 26.05.228(c)
AS 37.10.071
AS 37.10.210-AS 37.10.390
AS 39.35.080

Key Performance Measures for FY2002

Measure: Investment returns against performance benchmarks.

(Developed jointly with Legislature in FY2000.)

Current Status:

Fund // FY2000 5-year* Actual Return // FY2000 5-year* Benchmark Return

The following returns are for the 5-year period ending June 30, 2000:

Public Employees' Retirement Trust Fund // 13.43% // 13.23%

Teacher's Retirement Trust Fund // 13.61% // 13.23%

Military Retirement Trust Fund // 10.30% // 11.17%

*The following returns are for the 3-year period ended June 30, 2000:

Judicial Retirement Trust Fund // 10.51% // 11.32%

Benchmark:

The benchmark return for each fund depends upon its asset allocation, that is, the mix of different asset classes that Treasury has invested it in. Each fund's individual benchmark return (as reported above) is calculated by weighting the percent of any asset class it holds by the appropriate asset class benchmark below:

Domestic Equity - Russell 2000 Stock Index or the S&P 500 Stock Index

International Equity - Morgan Stanley Capital International Europe, Australia and Far East Stock Index (EAFE)

Domestic Fixed Income - Lehman Brothers Aggregate Bond Index

International Fixed Income - Non-US Government Bond Index

Measure: Administrative costs per dollar of investment.

(Developed jointly with Legislature in FY2000.)

Current Status:

The Treasury Division participated in a national Defined Benefit Pension Fund Survey regarding calendar year 1999 costs (performed by Cost Effectiveness Measurement Inc.). The universe included 168 plans from Canada and the United States, representing both public and private funds. Total United States assets represented in the survey were \$1,950 billion.

Relevant findings of this survey include:

ASPIB's 1999 total operating costs were 26 basis points compared to the US average cost of 34 basis points. The benchmark cost (which can be thought of, generally, as the average cost for a fund of ASPIB's size and asset mix) was 25 basis points.

Benchmark:

These results above compare to benchmarks established by Cost Effectiveness Measurement Inc. ASPIB will continue to participate in this annual survey while looking for others to participate in as well. Year-to-year trends will also be evaluated as we would expect our per dollar of investment cost to decrease as the asset size grows.

Background and Strategies:

The results of this survey need to be interpreted cautiously. Comparing our costs to the overall average may be misleading because costs per dollar of investment is first and foremost a function of the size of the assets and this survey had 68 participants with plan sizes under \$2 billion and 100 participants with plan sizes over \$2 billion.

With a benchmark cost of 25 basis points compared to an actual cost of 26 basis points, we would be considered a normal cost provider (as opposed to a high or low cost provider). While this calculation compares like-sized funds, it does not account for differences that are caused by asset allocation and passive versus active management decisions.

Measure: An independent consultant will compare actual returns to benchmarks/targets at least quarterly to monitor accomplishment.

(Not yet addressed by Legislature.)

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> Investment returns against performance benchmarks. Administrative costs per dollar of investment. An independent consultant will compare actual returns to benchmarks/targets at least quarterly to monitor accomplishment. 			X X X		

Alaska State Pension Investment Board

Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	190.8	157.9	157.9
73000 Contractual	2,449.4	2,917.6	2,917.6
74000 Supplies	22.3	50.0	50.0
75000 Equipment	47.8	70.0	70.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	2,710.3	3,195.5	3,195.5
Funding Sources:			
1017 Benefits Systems Receipts	91.5	99.0	99.0
1029 Public Employees Retirement Fund	1,667.3	2,018.9	2,018.9
1034 Teachers Retirement System Fund	933.8	1,059.7	1,059.7
1042 Judicial Retirement System	14.8	15.0	15.0
1045 National Guard Retirement System	2.9	2.9	2.9
Funding Totals	2,710.3	3,195.5	3,195.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Public Employees Retirement Fund	51065	1,667.3	2,018.9	2,018.9	2,018.9	2,018.9
Teachers Retirement System Fund	51090	933.8	1,059.7	1,059.7	1,059.7	1,059.7
Judicial Retirement System	51125	14.8	15.0	15.0	15.0	15.0
National Guard Retirement System	51135	2.9	2.9	2.9	2.9	2.9
Benefits System Receipts	51390	91.5	99.0	99.0	99.0	99.0
Restricted Total		2,710.3	3,195.5	3,195.5	3,195.5	3,195.5
Total Estimated Revenues		2,710.3	3,195.5	3,195.5	3,195.5	3,195.5

Alaska State Pension Investment Board

Proposed Changes in Levels of Service for FY2002

No anticipated service changes

Summary of Component Budget Changes

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	0.0	3,195.5	3,195.5
FY2002 Governor	0.0	0.0	3,195.5	3,195.5

Component: ASPIB Bank Custody and Management Fees

Contact: Betty Martin, Comptroller

Tel: (907) 465-2352 **Fax:** (907) 465-2394 **E-mail:** Betty_Martin@revenue.state.ak.us

Component Mission

included with ASPIB

Component Services Provided

included with ASPIB

Component Goals and Strategies

included with ASPIB

Key Component Issues for FY2001 – 2002

included with ASPIB

Major Component Accomplishments for FY2000

included with ASPIB

Statutory and Regulatory Authority

included with ASPIB

Key Performance Measures for FY2002

Measure: included with ASPIB
(Not yet addressed by Legislature.)

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
• included with ASPIB			X		

ASPIB Bank Custody and Management Fees

Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	27,418.8	29,213.6	33,713.6
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	27,418.8	29,213.6	33,713.6
Funding Sources:			
1029 Public Employees Retirement Fund	18,025.0	19,077.8	21,917.8
1034 Teachers Retirement System Fund	9,246.5	9,895.9	11,445.9
1042 Judicial Retirement System	126.1	178.4	253.4
1045 National Guard Retirement System	21.2	61.5	96.5
Funding Totals	27,418.8	29,213.6	33,713.6

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Public Employees Retirement Fund	51065	18,025.0	19,077.8	19,077.8	21,917.8	21,917.8
Teachers Retirement System Fund	51090	9,246.5	9,895.9	9,895.9	11,445.9	11,445.9
Judicial Retirement System	51125	126.1	178.4	178.4	253.4	253.4
National Guard Retirement System	51135	21.2	61.5	61.5	96.5	96.5
Restricted Total		27,418.8	29,213.6	29,213.6	33,713.6	33,713.6
Total Estimated Revenues		27,418.8	29,213.6	29,213.6	33,713.6	33,713.6

ASPIB Bank Custody and Management Fees**Proposed Changes in Levels of Service for FY2002**

no anticipated service changes

Summary of Component Budget Changes**From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	0.0	29,213.6	29,213.6
Proposed budget increases:				
-Projected increase in manager fees due to growth in funds.	0.0	0.0	4,500.0	4,500.0
FY2002 Governor	0.0	0.0	33,713.6	33,713.6

Component: Tax Division

Contact: Dan Dickinson, Director

Tel: (907) 269-6620 **Fax:** (907) 269-6644 **E-mail:** dan_dickinson@revenue.state.ak.us

Component Mission

The mission of the Tax Division is to collect taxes.

Component Services Provided

Tax program administration includes development and processing of tax forms, audit and compliance work, collection of revenue, taxpayer service, and updating regulations. Advice on revenue issues includes research and presentation of information to the public and policy makers. The four non-tax revenue programs are the charitable gaming program, salmon price reporting, auditing of oil and gas royalties and the administration of unclaimed property.

Component Goals and Strategies

FY 2001 is the first budgeted year of the Tax Division and fulfills the 1999 legislative intent to merge Oil and Gas Audit Division and the Income and Excise Audit Division. The Tax Division performs revenue audit and taxation functions for twenty tax types and four non-tax revenue programs administered by the Department of Revenue.

Key Component Issues for FY2001 – 2002

Ramp up for a challenge under the oil and gas property tax to our valuation of the single largest asset in the State, the 5.6 billion dollar Prudhoe Bay Facility.

Complete the switch to paperless filing for our largest tax type and then focus on undertaking the same project with a different tax type or types.

Continue to cut down on backlog of unresolved cases.

Continue to work the merger of the two heritage divisions.

Major Component Accomplishments for FY2000

Continued to resolve old cases and bring caseload more current. Resolutions include (1) a 1981 production tax case, bringing the oldest unresolved production tax matter to 1994, and (2) a multi-year oil and gas income tax case for over 400 million dollars.

Merger of the old Oil and Gas Audit and Income and Excise Audit divisions. Specifically, reconfigured the Anchorage space and began the work of merging those functions shared by the old divisions.

Reworked the annual fiscal forecast to provide more useful information.

Worked on moving the production tax to electronic filing.

Adopted major regulatory changes for the treatment of gas and valuation of oil under AS 43.55.

Contributed much time and effort to the analysis of the Arco BP merger and the sale of Arco Alaska to Phillips.

Statutory and Regulatory Authority

AS 04.11*
AS 09.50
AS 10.25*
AS 16.51
AS 38.05
AS 43.05
AS 43.10
AS 43.19
AS 43.20
AS 43.21
AS 43.31
AS 43.35*
AS 43.40*
AS 43.50
AS 43.55
AS 43.56
AS 43.57
AS 43.60
AS 43.65
AS43.75*
AS 43.76
AS 43.77*
AS 43.80
AS 42.05
AS 42.06
15 AAC 04.001 - 15 AAC 04.320
15 AAC 05.001 - 15 AAC 05-320
15 AAC 19.011 - 15 AAC 19.1390
15 AAC 20.010 - 15 AAC 20.390
15 AAC 20.410 - 15 AAC 20.920
15 AAC 21.001 - 15 AAC 21.9701
15 AAC 35.010 - 15 AAC 35.100
15 AAC 40.010 - 15 AAC 40.900
15 AAC 50.010 - 15 AAC 50.190
15 AAC 55.010 - 15 AAC 55.9700
15 AAC 56.005 - 15 AAC 56.130
15 AAC 60.010 - 15 AAC 60.310
15 AAC 65.010 - 15 AAC 65.990
15 AAC 75.010 - 15 AAC 75.300
15 AAC 76.010 - 15 AAC 76.290
15 AAC 77.005 - 15 AAC 77.990
15 AAC 80.010
15 AAC 116.010 - 15 AAC 116.700
15 AAC 160
26 U.S.C. 38 Internal Revenue Code

* Statutes provide for sharing taxes and fees.

Key Performance Measures for FY2002

Measure: The division budget as compared to the total amount collected by the division.
(Developed jointly with Legislature in FY2000.)

Measure: The percentage of taxes collected as compared to the percentage of taxes due.
(Developed jointly with Legislature in FY2000.)

Measure: The time expended compared to the time budgeted and the average time taken to complete audits.
(Developed jointly with Legislature in FY2000.)

Measure: The amount of assessments disallowed on appeal as compared to the amount of assessments claimed.
(Developed jointly with Legislature in FY2000.)

Measure: The Tax Division will receive 100% oil and gas production taxpayers monthly reports on CD disks by Feb. 28, 2001.
(Not yet addressed by Legislature.)

Current Status:

The Tax Division expects all oil and gas production taxpayers to begin filing electronically by the Feb. 28, 2001 due date for the company's January 2001 reports.

Measure: At least 10% of calendar 2001 taxpayers for one type of excise tax will participate in an electronic filing project.
(Not yet addressed by Legislature.)

Current Status:

The Tax Division has selected the Alaska Salmon Price Report and motor fuel taxes as the first two tax programs to move onto the Internet.

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> The division budget as compared to the total amount collected by the division. The percentage of taxes collected as compared to the percentage of taxes due. The time expended compared to the time budgeted and the average time taken to complete audits. The amount of assessments disallowed on appeal as compared to the amount of assessments claimed. The Tax Division will receive 100% of oil and gas production taxpayers monthly reports on CD disks by Feb. 28, 2001. At least 10% of calendar 2001 taxpayers for one type of excise tax will participate in an electronic filing project. 		X	X X X X X		

Tax Division

Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	5,555.0	5,458.2
72000 Travel	0.0	165.9	161.3
73000 Contractual	0.0	1,178.9	925.4
74000 Supplies	0.0	53.6	51.6
75000 Equipment	0.0	8.4	4.9
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	6,961.8	6,601.4
Funding Sources:			
1004 General Fund Receipts	0.0	5,706.8	5,631.8
1005 General Fund/Program Receipts	0.0	754.6	604.5
1007 Inter-Agency Receipts	0.0	115.0	115.3
1053 Investment Loss Trust Fund	0.0	27.9	0.0
1061 Capital Improvement Project Receipts	0.0	12.8	12.7
1103 Alaska Housing Finance Corporation Receipts	0.0	106.9	0.0
1105 Alaska Permanent Fund Corporation Receipts	0.0	237.8	237.1
Funding Totals	0.0	6,961.8	6,601.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
Unrestricted Fund	68515	0.0	2,918.0	2,918.0	1,418.0	1,418.0
Unrestricted Total		0.0	2,918.0	2,918.0	1,418.0	1,418.0
Restricted Revenues						
Interagency Receipts	51015	0.0	115.0	115.0	115.3	115.3
General Fund Program Receipts	51060	0.0	754.6	754.6	604.5	604.5
Capital Improvement Project Receipts	51200	0.0	12.8	12.8	12.7	12.7
Permanent Fund Earnings Reserve Account	51373	0.0	237.8	237.8	237.1	237.1
Investment Loss Trust Fund	51393	0.0	27.9	27.9	0.0	0.0
AK Housing Finance Corporation Receipts	51407	0.0	106.9	106.9	0.0	0.0

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Restricted Total		0.0	1,255.0	1,255.0	969.6	969.6
Total Estimated Revenues		0.0	4,173.0	4,173.0	2,387.6	2,387.6

Tax Division**Proposed Changes in Levels of Service for FY2002**

Proposed service changes for FY 2002 include the transfer of the Unclaimed Property Section to the Treasury Division.

**Summary of Component Budget Changes
From FY2001 Authorized to FY2002 Governor**

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	6,489.3	0.0	472.5	6,961.8
Adjustments which will continue current level of service:				
-Convert Special FY2001 Labor Cost Fund Sources to GF	106.9	0.0	-106.9	0.0
-Unclaimed Property Section Transfer to Treasury Division	-161.4	0.0	0.0	-161.4
-Reverse One-Time Funding for HB363 Salmon Price Reports Fiscal Note	-23.5	0.0	0.0	-23.5
-Reverse one-time supplemental, Sec. 32, Ch 135, SLA00	-150.0	0.0	0.0	-150.0
-Year 2 Labor Costs - Net Change from FY2001	-25.0	0.0	-0.5	-25.5
FY2002 Governor	6,236.3	0.0	365.1	6,601.4

Tax Division

Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	90	87	Annual Salaries	4,411,732
Part-time	2	1	COLA	63,885
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	1,391,435
			<i>Less 7.00% Vacancy Factor</i>	(410,652)
			Lump Sum Premium Pay	0
Totals	92	88	Total Personal Services	5,456,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk II	0	0	2	0	2
Accounting Spvr II	0	0	1	0	1
Accounting Tech I	0	0	1	0	1
Accounting Tech II	0	0	1	0	1
Accounting Tech III	0	0	2	0	2
Administrative Assistant	1	0	0	0	1
Administrative Clerk II	2	0	6	0	8
Administrative Clerk III	0	0	1	0	1
Administrative Manager II	0	0	1	0	1
Administrative Supervisor	0	0	1	0	1
Analyst/Programmer I	0	0	2	0	2
Analyst/Programmer II	0	0	1	0	1
Analyst/Programmer IV	0	0	1	0	1
Analyst/Programmer V	0	0	1	0	1
Deputy Director	1	0	0	0	1
Division Director	1	0	0	0	1
Economist I	1	0	0	0	1
Economist II	1	0	0	0	1
Economist III	0	0	1	0	1
Investigator III	1	0	0	0	1
Investigator IV	1	0	0	0	1
Micro/Network Spec I	1	0	0	0	1
Petroleum Economist I	3	0	0	0	3
Petroleum Economist II	1	0	0	0	1
Revenue Audit Supvr I	0	0	2	0	2
Revenue Audit Supvr II	2	0	0	0	2
Revenue Audit Supvr III	1	0	2	0	3
Revenue Auditor II	1	0	0	0	1
Revenue Auditor III	7	0	2	0	9
Revenue Auditor IV	8	0	1	0	9
Revenue Auditor V	11	0	0	0	11
Tax Technician I	0	0	1	0	1
Tax Technician II	2	0	2	0	4
Tax Technician III	3	0	5	0	8
Tax Technician IV	0	0	2	0	2
Totals	49	0	39	0	88

Administration and Support Budget Request Unit

Contact: Larry Persily, Deputy Commissioner, Dept. of Revenue

Tel: (907) 465-5469 **Fax:** (907) 465-2389 **E-mail:** Larry_Persily@revenue.state.ak.us

BRU Mission

The mission of the Office of the Commissioner is to provide support and policy direction to the divisions in the department. Specifically, the Commissioner's Office assists the divisions in setting and reaching their goals at the lowest possible cost and with the best service to the public; to provide information and expertise as needed by the Office of the Governor, other departments, and the legislature in managing the state's finances; and to operate the hearing officer section for the child support, permanent fund dividend, and charitable gaming appeals.

The Commissioner's Office also oversees the Liquid Natural Gas Project, which is working toward the development of stranded gas resources.

The mission of the Division of Administrative Services is to provide support services for departmental programs. Specifically, the Administrative Services Division provides other divisions and agencies in the Department with a high level of quality administrative support in the most cost effective manner. The Division is responsible for ensuring that all accounting, personnel, and procurement actions initiated within the department are in compliance with statutes, regulation and administrative policy. It is essential that all services are provided as efficiently as possible in all support areas, thereby enabling other BRU's to fulfill their assigned tasks.

BRU Services Provided

The Commissioner's Office provides management oversight to all operating agencies.

Key responsibilities include providing policy direction and oversight of the divisions responsible for the administration of the Permanent Fund Dividend program; administration and enforcement of charitable gaming laws; administration and enforcement of state tax laws; investment and management of nearly all state funds; and oversight of enforcement and collection of child support obligations and orders.

The Commissioner or his designee serves on various boards and commissions including the Alaska Permanent Fund Corporation, the Alaska State Pension Investment Board, the Alaska Housing Finance Corporation, the Alaska Industrial Development and Export Authority, the Alaska Municipal Bond Bank Authority, the Alaska Student Loan Corporation and the State Bond Committee.

The Administrative Services Division is comprised of three sections. The Human Resource Section provides centralized personnel and payroll services to the line divisions and other agencies organizationally tied to the department for administrative purposes. The Fiscal/Budget/Procurement Section serves as the general accounting section for the Department and is responsible for budget preparation, expenditure projections, accounts payable, travel accounting, records management, contract administration and general accounting transactions. The section also implements the department's purchasing policies and is responsible for general supply support, lease management and property control. The Information Technology Team (ITT) is responsible for programming and maintenance support for department-wide information systems. All data processing equipment and software purchases are reviewed and approved by the data processing manager to ensure conformity with the Department's established standards and long term plans.

BRU Goals and Strategies

We continue to assess and evaluate the way we do business in the operating divisions of the Department of Revenue. Our management philosophy stresses ongoing reassessment of our programs to provide better service to the public in a cost effective way. We continue to identify cost-saving ways to consolidate, innovate, and streamline our functions. This approach must be balanced, however, with continued perseverance of the department's main mission to collect and invest funds for public purposes. A delicate balance must be achieved in which we can continue to fund operating efficiencies without jeopardizing our ability to collect and invest funds for public purposes.

Key BRU Issues for FY2001 – 2002

- The Commissioner's Office is concerned that a growing number of Alaskans may be purchasing untaxed cigarettes via the Internet or through mail-order promotions to avoid the state's \$1-a-pack cigarette tax. In addition to the loss of state revenue, such access to cigarettes is contrary to the state's efforts to reduce smoking - especially by minors. The Commissioner's Office will be actively involved in the Tax Division's effort to secure legislative approval of a tax stamp program for Alaska. Under the proposed legislation, all cigarettes brought into Alaska would be required to have a state tobacco tax stamp. Such a visible proof that taxes have been paid would help the Tax Division in its enforcement efforts, while also producing upward of an estimated million dollars a year in revenue to the state.
- Formal appeals of Permanent Fund dividend denials and child support orders come to the Hearing Office Section of the Commissioner's Office. It is the goal of the Commissioner's Office to move those appeals to a hearing in a timely fashion, and to issue decisions in a language that is understandable to the public. Although the hearing decisions are legal documents, often entered into the record on appeal to the courts, it is important to remember that most dividend applicants and many child support participants do not have legal counsel, and the hearing decisions need to answer their questions and explain the applicable laws clearly.
- The Commissioner's Office will assist the Permanent Fund Dividend Division in responding to two areas of public concern:
 - 1) Finding a solution to the growing problem of long wait times for callers to the dividend information offices during the weeks leading up to and immediately following the dividend distribution each fall. The answers will be found in modernizing the phone system to provide more automated information to callers, and encouraging more people to use the on-line application system the public to speed up processing of their dividends.
 - 2) The division in 2001 will launch its first-ever internal audit program to randomly select several hundred dividend applications each year to verify the eligibility information provided by the applicants. The Commissioner's Office will assist the division in setting criteria for its eligibility audit program, which is intended to help ensure the integrity of the dividend program.

Major BRU Accomplishments for FY2000

- The Tax Division, working with the Commissioner's Office, embarked on a major revision in FY 2000 to its twice-yearly state revenue forecast booklets. The expanded format is intended to acknowledge the growing role in Alaska's budget filled by federal funding and investment earnings, and to help educate policy makers and the public on the state's fiscal future. The Commissioner's Office will continue working in FY 2001-2002 to add additional information to the revenue forecasts to explain the state's overall financial health.
- Completed full classification revisions for the Tax Technician series and the Permanent Fund Dividend Technician/Specialist series.
- Implemented department wide security policy through the coordination, installation and configuration of four highly sophisticated, state of the art firewall systems located in Fairbanks, Anchorage and Juneau.

Administration and Support
BRU Financial Summary by Component

All dollars in thousands

	FY2000 Actuals				FY2001 Authorized				FY2002 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Commissioner's Office	141.6	417.0	294.6	853.2	146.1	447.6	812.3	1,406.0	146.0	451.4	806.0	1,403.4
Administrative Services	416.0	299.3	312.5	1,027.8	374.9	296.1	407.5	1,078.5	372.1	329.1	371.2	1,072.4
REV State Facilities Rent	0.0	0.0	0.0	0.0	206.6	0.0	0.0	206.6	206.6	0.0	0.0	206.6
Totals	557.6	716.3	607.1	1,881.0	727.6	743.7	1,219.8	2,691.1	724.7	780.5	1,177.2	2,682.4

Administration and Support**Proposed Changes in Levels of Service for FY2002**

No anticipated change

Administration and Support**Summary of BRU Budget Changes by Component****From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	727.6	743.7	1,219.8	2,691.1
Adjustments which will continue current level of service:				
-Commissioner's Office	-0.1	3.8	-6.3	-2.6
-Administrative Services	-2.8	33.0	-36.3	-6.1
FY2002 Governor	724.7	780.5	1,177.2	2,682.4

Component: Commissioner's Office

Contact: Larry Persily, Deputy Commissioner

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Component Mission

The mission of the Office of the Commissioner is to provide support and policy direction to the divisions in the department.

Component Services Provided

Key responsibilities include providing policy direction and oversight of the divisions responsible for the administration of the Permanent Fund Dividend program; administration and enforcement of charitable gaming laws; administration and enforcement of state tax laws; investment and management of nearly all state funds; and oversight of enforcement and collection of child support obligations and orders.

The Commissioner or his designee serves on various boards and commissions including the Alaska Permanent Fund Corporation, the Alaska State Pension Investment Board, the Alaska Housing Finance Corporation, the Alaska Industrial Development and Export Authority, the Alaska Municipal Bond Bank Authority, the Alaska Student Loan Corporation and the State Bond Committee.

Component Goals and Strategies

- The largest task facing the Commissioner's Office over the next year will be to lead the state's efforts to promote commercialization of the North Slope's enormous natural gas reserves. Lower 48 market forces of growing demand and subsequent higher prices have increased the possibility that construction could begin in a couple of years on a gasline to bring Alaska natural gas to mid-America. The state needs to respond quickly and with complete information as North Slope oil and gas producers, pipeline operators, potential investors and others review different options for commercializing Alaska's natural gas reserves. The department will provide the lead in the state's review of those options, with the goal of protecting Alaska's interests and ensuring a fair return to the state treasury from the public resource.
- A major goal for the Commissioner's Office is to assist the Child Support Enforcement Division in two key projects:
 - 1) To win legislative approval in the 2001 session for extending the federally mandated requirements of welfare reform as they pertain to management of state child support programs. Several enforcement and collection tools will expire June 30, 2001, unless the legislature extends or eliminates the "sunset clause." The state could lose up to \$80 million a year in federal funding for public assistance programs and child support services if it fails to maintain its compliance with the terms of the federal welfare reform act.
 - 2) To assist the child support division in any way possible in its effort to achieve federal certification in calendar 2001 of its new casework accounting system.

Key Component Issues for FY2001 – 2002

- The Commissioner's Office is concerned that a growing number of Alaskans may be purchasing untaxed cigarettes via the Internet or through mail-order promotions to avoid the state's \$1-a-pack cigarette tax. In addition to the loss of state revenue, such access to cigarettes is contrary to the state's efforts to reduce smoking - especially by minors. The Commissioner's Office will be actively involved in the Tax Division's effort to secure legislative approval of a tax stamp program for Alaska. Under the proposed legislation, all cigarettes brought into Alaska would be required to have a state tobacco tax stamp. Such a visible proof that taxes have been paid

would help the Tax Division in its enforcement efforts, while also producing upward of an estimated million dollars a year in revenue to the state.

- Formal appeals of Permanent Fund dividend denials and child support orders come to the Hearing Office Section of the Commissioner's Office. It is the goal of the Commissioner's Office to move those appeals to a hearing in a timely fashion, and to issue decisions in a language that is understandable to the public. Although the hearing decisions are legal documents, often entered into the record on appeal to the courts, it is important to remember that most dividend applicants and many child support participants do not have legal counsel, and the hearing decisions need to answer their questions and explain the applicable laws clearly.
- The Commissioner's Office will assist the Permanent Fund Dividend Division in responding to two areas of public concern:
 - 1) Finding a solution to the growing problem of long wait times for callers to the dividend information offices during the weeks leading up to and immediately following the dividend distribution each fall. The answers will be found in modernizing the phone system to provide more automated information to callers, and encouraging more people to use the on-line application system the public to speed up processing of their dividends.
 - 2) The division in 2001 will launch its first-ever internal audit program to randomly select several hundred dividend applications each year to verify the eligibility information provided by the applicants. The Commissioner's Office will assist the division in setting criteria for its eligibility audit program, which is intended to help ensure the integrity of the dividend program.

Major Component Accomplishments for FY2000

- The Tax Division, working with the Commissioner's Office, embarked on a major revision in FY 2000 to its twice-yearly state revenue forecast booklets. The expanded format is intended to acknowledge the growing role in Alaska's budget filled by federal funding and investment earnings, and to help educate policy makers and the public on the state's fiscal future. The Commissioner's Office will continue working in FY 2001-2002 to add additional information to the revenue forecasts to explain the state's overall financial health.

Statutory and Regulatory Authority

AS 04
AS 09.25.100
AS 09.50
AS 10.25.570
AS 14.25.180
AS 16.10.265
AS 16.10.290
AS.18.26
AS 18.56
AS 25.25
AS 25.27
AS 34.45
AS 37.05.200
AS 37.10
AS 37.10.050-.087
AS 37.13
AS 37.14.011
AS 37.14.110
AS 37.14.120
AS 37.14.200
AS 37.15
AS 37.17
AS 38.05.036

AS 39.35.110
 AS 43
 AS 44.25
 AS 44.82
 AS 44.83.386
 AS 44.85
 AS 45.98.050

Key Performance Measures for FY2002

Measure: The percentage of divisions' that meet assigned performance measures.

(Developed jointly with Legislature in FY2000.)

Current Status:

It is too soon to quantify all of the divisions' performance against the measures established this past legislative session.

Measure: The average time taken to respond to complaints and questions that have been elevated to the Commissioner's Office.

(Developed jointly with Legislature in FY2000.)

Current Status:

About one week, the Permanent Fund dividend questions and complaints are answered the week they arrive in the Commissioner's Office, while the office responds within two weeks to all of the child support questions it receives.

Measure: The average time taken to issue decisions in child support and Permanent Fund Dividend appeals.

(Developed jointly with Legislature in FY2000.)

Current Status:

Most formal hearing decisions are issued within 30 days after the record closes on child support and dividend appeals

Measure: The number of decisions sustained as compared to all decisions appealed to the Commissioner's Office.

(Developed jointly with Legislature in FY2000.)

Current Status:

The Hearing Officer Section overturns or amends fewer than 10 percent of the dividend and child support decisions appealed to formal hearing.

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
• The percentage of divisions that meet assigned performance measures.			X		
• The average time taken to respond to complaints and questions that have been elevated to the Commissioner's Office.			X		
• The average time taken to issue decisions in child support and Permanent Fund dividend appeals.			X		
• The number of decisions sustained as compared to all decisions appealed to the Commissioner's Office.			X		

Commissioner's Office

Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	681.2	794.9	792.3
72000 Travel	24.4	43.0	43.0
73000 Contractual	122.7	538.7	538.7
74000 Supplies	21.0	29.4	29.4
75000 Equipment	3.9	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	853.2	1,406.0	1,403.4
Funding Sources:			
1004 General Fund Receipts	141.6	145.2	146.0
1007 Inter-Agency Receipts	294.6	317.8	311.7
1053 Investment Loss Trust Fund	0.0	0.9	0.0
1108 Statutory Designated Program Receipts	0.0	494.5	494.3
1133 Indirect Cost Reimbursement	417.0	447.6	451.4
Funding Totals	853.2	1,406.0	1,403.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Interagency Receipts	51015	294.6	317.8	317.8	311.7	325.0
Statutory Designated Program Receipts	51063	0.0	494.5	494.5	494.3	493.5
UA Indirect Cost Recovery	51115	417.0	447.6	447.6	451.4	455.0
Investment Loss Trust Fund	51393	0.0	0.9	0.9	0.0	0.0
Restricted Total		711.6	1,260.8	1,260.8	1,257.4	1,273.5
Total Estimated Revenues		711.6	1,260.8	1,260.8	1,257.4	1,273.5

Commissioner's Office**Proposed Changes in Levels of Service for FY2002**

No anticipated service changes

Summary of Component Budget Changes**From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	146.1	447.6	812.3	1,406.0
Adjustments which will continue current level of service:				
-Convert Special FY2001 Labor Cost Fund Sources to GF	0.2	0.0	-0.2	0.0
-Year 2 Labor Costs - Net Change from FY2001	-0.3	-1.5	-0.8	-2.6
-Fund Changes Due to Cost Allocation Plan	0.0	5.3	-5.3	0.0
FY2002 Governor	146.0	451.4	806.0	1,403.4

Commissioner's Office**Personal Services Information**

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	11	11	Annual Salaries	618,926
Part-time	0	0	COLA	13,201
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	187,051
			<i>Less 3.28% Vacancy Factor</i>	(26,878)
			Lump Sum Premium Pay	0
Totals	11	11	Total Personal Services	792,300

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Commissioner	0	0	1	0	1
Dep Commissioner	0	0	1	0	1
Exec Secretary II	0	0	1	0	1
Legal Secretary I	1	0	0	0	1
Paralegal Asst I	0	0	1	0	1
Paralegal Asst II	1	0	0	0	1
Project Coordinator	0	0	1	0	1
Revenue Hearing Examiner I	1	0	1	0	2
Revenue Hearing Examiner II	0	0	1	0	1
Spec Asst To The Comm II	0	0	1	0	1
Totals	3	0	8	0	11

Component: Administrative Services

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Component Mission

The mission of the Division of Administrative Services is to provide support services for departmental programs.

Component Services Provided

The Administrative Services Division is comprised of three sections. The Human Resource Section provides centralized personnel and payroll services to the line divisions and other agencies organizationally tied to the department for administrative purposes. The Fiscal/Budget/Procurement Section serves as the general accounting section for the Department and is responsible for budget preparation, expenditure projections, accounts payable, travel accounting, records management, contract administration and general accounting transactions. The section also implements the department's purchasing policies and is responsible for general supply support, lease management and property control. The Information Technology Team (ITT) is responsible for programming and maintenance support for department-wide information systems. All data processing equipment and software purchases are reviewed and approved by the data processing manager to ensure conformity with the Department's established standards and long term plans.

Component Goals and Strategies

Ensure that the department is in compliance with all administrative requirements mandated by statutes, regulation, collective bargaining agreements, and administrative policies and procedures.

FISCAL/BUDGET/PROCUREMENT

- Ensure appropriations are not overspent.

- Ensure no supplemental appropriations will be necessary due to financial mismanagement.

- Ensure restricted revenues are posted timely and accurately.

- Ensure expenditures are processed in conformity with statutes, regulations, and the Administrative Manual.

Pay vendors promptly and accurately

- Pay vendors within 30 days so there are no interest payments.

Review department contracts to ensure they are processed in conformity with statutes, regulations, and the Administrative Manual.

- Ensure no justifiable protests or audit exceptions will occur.

Ensure that the department budgets are accurate, uniform, and timely.

- Budgets will be submitted by required deadlines.

- No major budget revisions will occur due to technical errors.

Ensure that necessary budget changes are processed throughout the year.

- Review and recommend action on revised program requests within three days of receipt of request.

Expedite the delivery of needed supplies and equipment and maximize purchasing dollars.

- Provide for purchasing of supplies, and negotiating quantity discounts and other discounts to reduce supply/equipment costs.

- Fully implement procurement card program in the department.

Effectively screen procurement requests.

- Ensure adherence to policies on data processing hardware/software standards.

- Ensure no justifiable protests will occur.

Process space requests effectively and assure adherence to State/ADA space standards.

Centralize information pertaining to departmental space availability and uses of space so better management decisions can be made.

Maintain file of updated floor plans.

Expedite purchases over \$50,000 in accordance with delegated purchasing levels.

Negotiate terms and conditions for purchases providing maximum benefit to the Department.

PROPERTY

Maintain Revenue's equipment and improve reporting time frames for inventory status in compliance with statutory requirements.

Update property control listings on a continual basis.

Complete all inventory status reports by end of fiscal year.

Conduct and reconcile yearly property inventory.

HUMAN RESOURCES SECTION

Ensure compliance with personnel rules, contractual regulations, and affirmative action measures.

Enter into Letters of Agreement (LOA) as appropriate under delegated authority.

Allow no illegal hires or promotions.

Less than 1/3rd of grievances or complaints will be overturned by the Department of Administration or an arbitrator.

Ensure accurate and timely payroll, personnel and leave processing/accounting.

Generate personnel action actions within applicable pay period with less than a 2% error rate.

Process family leave entitlements with a 100% accuracy rate and within two working days of request to invoke.

Have no penalty pay charges assessed.

Audit 100% of employee leave and pay records semi-monthly.

Enhance knowledge of human resource topics for departmental employees.

Administer two (2) supervisory courses.

Administer one (1) family leave course.

Develop a minimum of two (2) policies and procedures.

Improve miscellaneous services.

Process employment verifications within 5 working days.

Approve non-permanent positions within 3 working days.

Process all classification requests within 30 days.

Ensure timely employee assessments.

Notify divisions of impending performance evaluations no later than 30 days in advance of due date.

Notify divisions of performance evaluations that are due and overdue on a monthly basis.

Participate with the Department of Administration in efforts to improve recruitment and retention issues.

Attend workshops on workforce planning, succession, and retention.

Join workgroups or committees to assist in problem resolution.

INFORMATION TECHNOLOGY TEAM (ITT)

Continue to provide secure, reliable, state of the art WAN services within the department.

Thoroughly evaluate and test all updates prior to implementation.

Ensure all software and hardware is thoroughly evaluated, tested, installed, and distributed in timely manner.

Maintain maximum continuous unscheduled down downtime of database, web, print, and file servers at less than 2 hours per month during business hours.

Continue to monitor database and user file space requirement growth rates so additional disk drive space can be planned and implemented before requirements become critical.

Continue to enhance our Internet web home page to provide the most commonly requested information to the public.

Continue to monitor usage of the various pages to determine which attributes are most beneficial to users, and make that information available to each division's web designers.

Review on-line and phone recommendations addressed to the web-master.

Encourage efficient resource use and reduce the number of client service requests due to poor client knowledge.

Provide in-house training sessions during the fiscal year.

Key Component Issues for FY2001 – 2002

- The Administrative Services Division continues to implement its cost allocation plan which was designed to accurately charge DOR divisions for their properly allocated share of ASD costs. The advantage to this plan is that all divisions receive a more equitable share of costs in proportion to the services they receive. In doing this allocation, ASD has been able to reduce some general fund expenditures by properly reallocating costs to non-general fund agencies.
- Rental costs for the 11th floor of the State Office Building will increase \$21.0 in FY2002.

Major Component Accomplishments for FY2000

- Completed full classification revisions for the Tax Technician series and the Permanent Fund Dividend Technician/Specialist series.
- Implemented department wide security policy through the coordination, installation and configuration of four highly sophisticated, state of the art firewall systems located in Fairbanks, Anchorage and Juneau.
- Upgraded data processing equipment and expanded data capacity.

Statutory and Regulatory Authority

AS 36.30
AS 37.05.030
AS 37.05.130-140
AS 37.10
AS 39.20.330
AS 39.25.150(23)
AS 43.05.010(2)
AS 43.23.055
2 AAC 07.930

Key Performance Measures for FY2002

Measure: The percentage of employee grievances that are overturned by a hearing officer from the Department of Administration or by an arbitrator.
(Developed jointly with Legislature in FY2000.)

Current Status:

A log will be maintained to track the number of grievances overturned by an arbitrator.

Measure: The percentage of employee complaints and grievances filed at the department level that are resolved at that level.

(Developed jointly with Legislature in FY2000.)

Current Status:

Log will be kept on grievance filings and their outcome.

Measure: The cost of Administrative Services as compared to total personnel costs for the department.

(Developed jointly with Legislature in FY2000.)

Current Status:

Total FY2001 Admin. Services Budget \$1,054.2

Total FY2001 Dept. Personal Service \$46,408.6

Admin. Services total budget is 2.28% of total agency personal services.

Measure: The number of late penalties assessed for payroll or vendor payment.

(Developed jointly with Legislature in FY2000.)

Current Status:

A copy of penalty pay documents will be kept on file with notation if penalty pay was issued.

Measure: The number of audit exceptions resolved for the department.

(Developed jointly with Legislature in FY2000.)

Current Status:

A log will be maintained to track the number of audit exceptions resolved for the department.

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
• The percentage of grievances that are overturned by a hearing officer from the Department of Administration or by an arbitrator			X		
• The percentage of employee complaints and grievances filed at the department level that are resolved at that level.			X		
• The cost of Administrative Services as compared to total personnel costs for the department.			X		
• The number of late penalties assessed for payroll or vendor payment.			X		
• The number of audit exceptions resolved for the department.			X		

Administrative Services

Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	911.9	959.4	953.3
72000 Travel	5.6	7.5	7.5
73000 Contractual	81.2	94.6	94.6
74000 Supplies	27.9	17.0	17.0
75000 Equipment	1.2	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,027.8	1,078.5	1,072.4
Funding Sources:			
1004 General Fund Receipts	416.0	365.0	372.1
1007 Inter-Agency Receipts	312.5	407.5	371.2
1053 Investment Loss Trust Fund	0.0	9.9	0.0
1133 Indirect Cost Reimbursement	299.3	296.1	329.1
Funding Totals	1,027.8	1,078.5	1,072.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Interagency Receipts	51015	312.5	407.5	407.5	371.2	375.0
UA Indirect Cost Recovery	51115	299.3	296.1	296.1	329.1	330.0
Investment Loss Trust Fund	51393	0.0	9.9	9.9	0.0	0.0
Restricted Total		611.8	713.5	713.5	700.3	705.0
Total Estimated Revenues		611.8	713.5	713.5	700.3	705.0

Administrative Services**Proposed Changes in Levels of Service for FY2002**

No anticipated service changes

Summary of Component Budget Changes**From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	374.9	296.1	407.5	1,078.5
Adjustments which will continue current level of service:				
-Year 2 Labor Costs - Net Change from FY2001	-2.8	-2.2	-1.1	-6.1
-Fund Source Change Due to Cost Allocation Plan	0.0	35.2	-35.2	0.0
FY2002 Governor	372.1	329.1	371.2	1,072.4

Administrative Services**Personal Services Information**

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	16	16	Annual Salaries	726,418
Part-time	0	0	COLA	13,434
Nonpermanent	0	0	Premium Pay	3,446
			Annual Benefits	239,915
			<i>Less 3.04% Vacancy Factor</i>	(29,913)
			Lump Sum Premium Pay	0
Totals	16	16	Total Personal Services	953,300

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant IV	0	0	1	0	1
Accounting Tech III	0	0	2	0	2
Administrative Clerk II	0	0	1	0	1
Administrative Manager I	0	0	1	0	1
Data Processing Mgr I	0	0	1	0	1
Division Director	0	0	1	0	1
Human Resources Mgr II	0	0	1	0	1
Micro/Network Spec I	0	0	1	0	1
Micro/Network Tech II	0	0	1	0	1
Personnel Asst I	0	0	3	0	3
Personnel Asst II	0	0	1	0	1
Personnel Specialist I	0	0	1	0	1
Procurement Spec II	0	0	1	0	1
Totals	0	0	16	0	16

Component: REV State Facilities Rent**Contact: Mike Maher, Director****Tel:** (907) 465-2312 **Fax:** (907) 465-1685 **E-mail:** michael_maher@revenue.state.ak.us**Component Mission**

To fund necessary maintenance and help prevent future deferred maintenance problems in the eight buildings in the state facilities rent pool.

Component Services Provided

No services provided.

Component Goals and Strategies

Improve the condition of state buildings and help prevent future deferred maintenance problems by implementing the second year phase of a state facilities rent structure.

Key Component Issues for FY2001 – 2002

During years of budget constraints, state buildings have not been adequately maintained, resulting in a serious and expensive deferred maintenance backlog. For FY2002 the increase in unbudgeted rental costs are of concern.

Major Component Accomplishments for FY2000

Not applicable

Statutory and Regulatory Authority

Not applicable

Key Performance Measures for FY2002**Measure: Not applicable**

(Not yet addressed by Legislature.)

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
• Not applicable			X		

REV State Facilities Rent
Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	0.0	206.6	206.6
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	206.6	206.6
Funding Sources:			
1004 General Fund Receipts	0.0	206.6	206.6
Funding Totals	0.0	206.6	206.6

REV State Facilities Rent**Proposed Changes in Levels of Service for FY2002**

Not applicable

Summary of Component Budget Changes**From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	206.6	0.0	0.0	206.6
FY2002 Governor	206.6	0.0	0.0	206.6

Component: Unallocated Reduction

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Component Mission

not applicable

Component Services Provided

not applicable

Component Goals and Strategies

not applicable

Key Component Issues for FY2001 – 2002

not applicable

Major Component Accomplishments for FY2000

not applicable

Statutory and Regulatory Authority

not applicable

Unallocated Reduction

Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	0.0	0.0	0.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	0.0	0.0
Funding Sources:			
None.			
Funding Totals	0.0	0.0	0.0

Unallocated Reduction**Proposed Changes in Levels of Service for FY2002**

not applicable

Summary of Component Budget Changes**From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	0.0	0.0	0.0
FY2002 Governor	0.0	0.0	0.0	0.0

Unallocated Reduction**Personal Services Information**

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	0	0	Annual Salaries	0
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	0
			<i>Less % Vacancy Factor</i>	()
			Lump Sum Premium Pay	0
Totals	0	0	Total Personal Services	

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
No personal services.					
Totals	0	0	0	0	0

BRU/Component: Permanent Fund Dividend

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

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Component Mission

The mission of the Permanent Fund Dividend Division is to administer the permanent fund dividend program.

Component Services Provided

1. Process over 600,000 applications resulting in payment of dividends to eligible Alaskan Residents.
2. Publish an application booklet that includes detailed instructions for completing the dividend application; additional information is provided through our web site and the applicant status inquiry program available on the internet. All dividend forms are also available on-line.
3. Assist applicants with questions regarding their applications, the direct deposit program, garnishments, and other PFD-related issues at the dividend information offices.
4. Conduct informal conferences with applicants who file an appeal.

Component Goals and Strategies

1. The Permanent Fund Dividend Division will increase to 70% the number of Alaskans who select direct deposit for their check.

*Advertise the benefits of direct deposit

2. Reduce by 20% the number of applications held in the review process at the time of the dividend calculation.

* Redesign computer edits

* Use existing personnel in document processing

3. Improve applicants' accessibility to Information pertaining to their dividend applications.

* Add additional information to the internet based status inquiry system

* Explore ways to enhance and expand the existing telephone service

4. Establish an audit procedure.

* Routinely select applications for compliance examinations

Key Component Issues for FY2001 – 2002

The public experienced long delays and problems in getting through to the Dividend Division's information offices during the fall 2000 dividend distribution period. The division will find solutions to its outdated telephone system, and will adjust staffing schedules to improve its response time in 2001. Promoting increased use by dividend applicants of the new on-line application system will help reduce calls to the Division, as will faster processing of those applications selected for review.

The Division in the fall of 2000 conducted its first-ever random audit of dividend applications to verify the information supplied by applicants and to ensure that adequate controls are in place to protect the integrity of the program. Based on the results of the 2000 project, the Division has decided to include an audit program as part of its ongoing operations by committing staff time to review randomly selected applications. By combining its existing review and appeals staff for greater efficiency, the Division expects to operate the audit program without any additional staff.

With the increased access to the Internet by the public, the Dividend Division needs to continue to capitalize on this medium by providing customer services via the Internet.

Major Component Accomplishments for FY2000

The Permanent Fund Dividend Division is always looking for ways to streamline the process of accepting and reviewing more than 610,000 applications a year. The Division took a major step when it opened its online application system at the end of the filing period for the 2000 dividend and expects strong growth in 2001 and subsequent years as public acceptance of the new system grows. Increased use of the on-line application process will reduce the division's operating costs by replacing paperwork with paperless electronic data.

There was a decrease in the number of repetitive requests for information sent to applicants. The numbers went from 89,000 requests sent in 1999 to 84,000 sent in 2000. We will continue to give the public clear and concise information in order to continue to reduce repetitive requests.

Statutory and Regulatory Authority

AS 43.23
15 AAC 23

Key Performance Measures for FY2002

Measure: The percentage of dividend payments sent out on time to eligible applicants.

(Developed jointly with Legislature in FY2000.)

Measure: The average time taken to process dividend applications.

(Developed jointly with Legislature in FY2000.)

Measure: The average time taken to resolve informal appeals.

(Developed jointly with Legislature in FY2000.)

Current Status:

The statutory time limit to complete an Appeal from the time it is filed with the division is one year. The division is striving to further reduce the aging of Appeal inventory to a period not to exceed six months. In FY 00, our case inventory did exceed 6 months old 25% of the time. So far in FY 01, 0% of the inventory has been older than 6 months.

Measure: The average number of applications in review at the time of the dividend calculation.
(Developed jointly with Legislature in FY2000.)

Measure: Reduce percentage of applications sent to the review section each year.
(Not yet addressed by Legislature.)

Measure: The Permanent Fund Dividend Division will increase to 70% the number of Alaskans who select direct deposit for their check.
(Not yet addressed by Legislature.)

Current Status:

The public's use of direct deposit for their Permanent Fund Dividends has increased steadily over the years, from 59% in 1998 to 63% in 1999 and to 67% in 2000. The use of direct deposit helps reduce the division's operating costs, while at the same time getting the money to Alaskans faster.

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> The percentage of dividend payments sent out on time to eligible applicants. The average time taken to process dividend applications. The average time taken to resolve informal appeals. The average number of applications in review at the time of the dividend calculation. Reduce percentage of applications sent to the review section each year. The Permanent Fund Dividend Division will increase to 70% the number of Alaskans who select direct deposit for their check. 		X	X	X	

Permanent Fund Dividend

Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,953.5	2,973.6	2,993.7
72000 Travel	33.1	25.5	25.5
73000 Contractual	1,649.0	1,968.4	1,937.8
74000 Supplies	74.2	64.2	64.2
75000 Equipment	63.5	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	4,773.3	5,031.7	5,021.2
Funding Sources:			
1007 Inter-Agency Receipts	40.2	52.0	32.0
1050 Permanent Fund Dividend Fund	4,733.1	4,979.7	4,989.2
Funding Totals	4,773.3	5,031.7	5,021.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Interagency Receipts	51015	40.2	52.0	52.0	32.0	35.0
Permanent Fund Dividend Fund	51160	4,733.1	4,979.7	4,979.7	4,989.2	4,989.2
Restricted Total		4,773.3	5,031.7	5,031.7	5,021.2	5,024.2
Total Estimated Revenues		4,773.3	5,031.7	5,031.7	5,021.2	5,024.2

Permanent Fund Dividend**Proposed Changes in Levels of Service for FY2002**

No service changes.

Summary of Component Budget Changes**From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	0.0	5,031.7	5,031.7
Adjustments which will continue current level of service:				
-Year 2 Labor Costs - Net Change from FY2001	0.0	0.0	-10.5	-10.5
FY2002 Governor	0.0	0.0	5,021.2	5,021.2

Permanent Fund Dividend

Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	54	54	Annual Salaries	2,359,260
Part-time	3	3	COLA	32,299
Nonpermanent	42	42	Premium Pay	0
			Annual Benefits	827,497
			<i>Less 7.00% Vacancy Factor</i>	(225,334)
			Lump Sum Premium Pay	0
Totals	99	99	Total Personal Services	2,993,722

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech I	0	0	2	0	2
Administrative Clerk I	0	0	29	0	29
Administrative Clerk II	3	1	12	0	16
Administrative Clerk III	4	1	8	0	13
Administrative Manager I	0	0	1	0	1
Analyst/Programmer III	0	0	1	0	1
Analyst/Programmer IV	0	0	2	0	2
Analyst/Programmer V	0	0	2	0	2
Chf Perm Fund Div Oper	0	0	1	0	1
Division Director	0	0	1	0	1
Investigator III	1	0	0	0	1
Microfilm Equip Op I	0	0	1	0	1
PFD Specialist I	0	0	1	0	1
PFD Specialist II	0	0	2	0	2
PFD Technician II	1	0	14	0	15
PFD Unit Supervisor	1	0	3	0	4
Secretary	0	0	1	0	1
Totals	10	2	81	0	93